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City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman and Tom Ammiano

Clerk: Mary Red

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, November 03, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:12 a.m.

991964 **[Calling Special Election for Academy of Science Bonds]**

Supervisors Yaki, Ammiano, Becerril, Bierman, Brown, Katz, Kaufman, Leno, Newsom, Teng, Yee

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, March 7, 2000, for the purpose of submitting to the voters of the City and County a proposition to incur the following bonded debt of the City and County: eighty-seven million four hundred forty-five thousand dollars ($87,445,000) for the acquisition, construction and reconstruction of certain improvements to the California Academy of Sciences; finding that the estimated costs of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed projects; waiving certain requirements of Section 2.31 of the San Francisco Administrative Code relating to the introduction of public interest and necessity resolutions; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest thereof; prescribing notice to be given of such election; consolidating the special election with the presidential primary election; establishing the election precincts, voting places and officers for the election; and waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510.

10/18/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Carl Schick, Supervisor Yaki's Aide; Martha Kropf, Academy of Science; Supervisor Ammiano.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

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991537 **[Appropriation, S.F. Unified School District]**

Ordinance appropriating $60,713,766, San Francisco Unified School District, of school Bond proceeds for capital improvement projects on various school facilities, cost of issuance, and other related costs for fiscal year 1999-2000. (Controller)

8/4/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

9/15/99, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Tim Tronson, S.F. Unified School District, Supervisor Yee; Supervisor Ammiano; Laura, Opshal, Mayor's Office; Ed Harrington, Controller. Continued to September 29, 1999.

9/29/99, CONTINUED TO CALL OF THE CHAIR.

10/27/99, CONTINUED. Continued to November 3, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Laura Bordelon, Mayor's Office of Finance, Tim Tronson, S.F. Unified School District, Supervisor Yee; Enrique Navas, Chief Financial Officer, SFUSD.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991852 **[Lease and Use Agreement Modifications to allow eight (8) airlines to relocate all international flight operations from Central Terminal Building to a new International Terminal Building as part of the Airport Master Plan Expansion Program]**

Resolution approving modifications the terms of Airline/Airport Lease and Use Agreements between the City and various airlines to allow such airlines to relocate international flight operations to the New International Terminal. (Airport Commission)

9/28/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/13/99, CONTINUED. Continued to October 20, 1999.

10/20/99, CONTINUED. Continued to November 3, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport, Supervisor Ammiano, Living Wage Coalition members: Ken Jacobs; Robert O'Malley, Karl Kramer.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991853 **[New lease and operating agreements to allow eighteen (18) airlines to relocate all international flight operations from Central Terminal Building to a new International Terminal Building as part of the Airport Master Plan Expansion Program]**

Resolution approving the terms of lease and operating agreements between the City and various airlines to allow such airlines to relocate international flight operations to the New International Terminal. (Airport Commission)

9/28/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/13/99, CONTINUED. Continued to October 20, 1999.

10/20/99, CONTINUED. Continued to November 3, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport, Supervisor Ammiano; Living Wage Coalition members: Ken Jacobs; Robert O'Malley; Karl Kramer

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

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991811 **[Ferry Building Lease and Negative Declaration]**

Resolution approving lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building (The Embarcadero and Market Street) as a mixed use project; approving Negative Declaration. (Port)

(Final Negative Declaration adopted and issued October 1, 1998.)

9/22/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 10/27/1999.

Continued to November 17, 1999.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991869 **[Approving amendment to the Post-Security Master/Retail Duty Free Concession Lease for the New International Terminal]**

Resolution approving Post-Security Master Retail/Duty Free Concession Lease between DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/30/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/22/99, SUBSTITUTED. Substituted by Airport Commission 10/22/99, bearing new title.

10/22/99, ASSIGNED to Finance and Labor Committee.

Heard in Committee. Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport; Supervisor Yee. Continued to November 10, 1999.

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

990852 **[Reserved Funds, Port]**

Hearing to consider release of reserved funds, Port, (S.F. Harbor Operating Funds, Ordinance No. 196-95), in the amount of $769,103, to fund the Pier 35 Cruise Terminal Escalator/Elevator Project. (Port)

4/28/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/22/99, SUBSTITUTED. Substituted by Port, 10/22/99, revising the amount requested for Pier 35 release from $645,481 to $769,103.

10/22/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ben Kutnick, Director of Finance, Port. Table at request of the sponsor.

FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991970 **[Treasure Island Cooperative Agreement with Navy]**

Mayor

Resolution approving and authorizing the Treasure Island Development Authority to enter into a cooperative agreement with the Navy whereby the Treasure Island Development Authority will assume certain responsibilities regarding the operation and maintenance of Treasure Island, and the Navy will reimburse the Authority for the costs therefor.

10/18/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Robert Mahoney, Treasure Island Development Authority. Amended to provide retroactivity. New title.

AMENDED.

7 45243 SFPL: ECONO JRS
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Resolution approving and authorizing retroactively, the Treasure Island Development Authority to enter into a cooperative agreement with the Navy whereby the Treasure Island Development Authority will assume certain responsibilities regarding the operation and maintenance of Treasure Island, and the Navy will reimburse the Authority for the costs therefor.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 11:00 a.m.

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Attn: *Susan Hom*

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 29, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: November 3, 1999 Finance and Labor Committee Meeting

Item 1 - File 99-1964

Department: California Academy of Sciences

Item: Ordinance calling and providing for a Special Election to be held in the City and County of San Francisco on Tuesday, March 7, 2000, for the purpose of submitting to the voters of the City and County of San Francisco a proposition to incur $87,445,000 of bonded indebtedness for the acquisition, construction and reconstruction of certain improvements to the California Academy of Sciences; finding that the estimated costs of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefore by the annual tax levy; reciting the estimated cost of such proposed projects; waiving certain requirements of Section 2.31 of the San Francisco Administrative Code relating to the introduction of public interest and necessity resolutions; fixing the date of election for March 7, 2000 and the manner of holding such election as well as the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of

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taxes to pay both principal and interest thereof; prescribing notice to be given of such election; consolidating the Special Election with the Presidential Primary Election; establishing the election precincts, voting places and officers for the election; and waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510.

Description:

The State General Obligation Bond Law requires that in order for the City to issue General Obligation Bonds, a resolution of public convenience and necessity must first be adopted by a two-thirds vote of the Board of Supervisors, and the proposed bonds must then be approved by two-thirds of electorate. On October 25, 1999, the Board of Supervisors approved a resolution declaring that the public interest and necessity demand improvements to the California Academy of Sciences by the City and County (File 99-1770).

The proposed ordinance would provide for a Special Election to be held and consolidated with the Presidential Primary Election scheduled to be held on Tuesday, March 7, 2000 in order to submit to the voters a proposition to incur bonded indebtedness of the City and County, in the principal amount of $87,445,000, for improvements to the California Academy of Sciences.

Financing for a renovated, seismically upgraded and expanded 428,443 square foot Academy of Sciences facility (the existing facility is 378,443 square feet) at an estimated total cost of $147,445,000 would be funded by (a) the subject proposed $87,445,000 in General Obligation Bonds to be authorized by the electorate and (b) private financing in the amount of $60,000,000 to be raised by the California Academy of Sciences through private contributions and other government funds.

Budget:

A summary budget of $146,230,000 for the estimated project costs, excluding the financing costs, is shown in the Attachment to this report. In addition, financing costs totaling $1,215,000 result in total estimated costs of $147,445,000.

Comments:

1. According to Ms. Sarah Hollenbeck of the Mayor's Office of Public Finance, the City Charter provides for a legal debt limit of three percent of net assessed property value. The Mayor's Office of Public Finance has calculated the City's Debt Limit Ratio as follows:

Total Debt Limit for FY 1999-2000	$2,114,446,916
Estimated Outstanding General Obligation Bonds As of June 30, 2000	967,925,000
Remaining General Obligation Capacity	$1,146,521,916

However, it should also be noted that the Laguna Honda Hospital General Obligation bond measure for $299,000,000 is on the November 2, 1999 ballot, which if approved by the voters, would further reduce the City's remaining General Obligation bonding capacity to $847,521,916.

2. If the subject Academy of Sciences bond issue of $87,445,000 proposed for the March of 2000 ballot were also to be approved by the voters, the remaining General Obligation bonding capacity would then be reduced to $760,076,916. However, Ms. Hollenbeck advises that the Academy of Sciences bonds are anticipated to be sold in two separate issuances, thus allowing for a slightly larger General Obligation bonding capacity to remain until the subsequent bonds are sold. According to Ms. Hollenbeck, the amount of debt that can be issued in any given year is partly a function of the level of payments on existing debt, which fluctuates as older bond issues are retired and new bonds are issued.

The Budget Analyst also notes that an ordinance for $110,000,000 of General Obligation bonds for the Recreation and Park Department may also be scheduled to be brought to the voters on March 7, 2000. If this $110,000,000 Recreation and Park General Obligation Bond measure is also approved at that time, and all $110,000,000 in bonds were issued in FY 1999-2000, it would further reduce the City's General Obligation bonding capacity to $650,076,916.

3. According to Ms. Hollenbeck, assuming the proposed Academy of Science bonds are issued in an interest environment which reflects the norms for the past ten years, the Academy of Science bonds would bear a true interest cost of six percent. It is anticipated that there will be two separate bond issuances, one for $11,380,000 in approximately May of 2000 and one for $76,065,000 in approximately October of 2001, for a total of $87,445,000. Upon issuance of the entire $87,445,000, the average annual debt service would be approximately $7,222,673 and total debt service would be $151,676,138 for the proposed 21-year bond period.

4. According to Ms. Ann Carey of the Controller's Office, if $87,445,000 in bonds were to be issued, the bonds would result in an increase in the Property Tax rate of approximately $.011206 per $100 of assessed value. At this rate, the owner of a single-family residence assessed at $400,000, assuming the $7,000 homeowner's exemption, would pay an average of $44.04 in additional annual Property Taxes beginning in FY 2001.

5. According to Mr. Andy Klemer, of the Paratus Group, a private consulting firm retained as the Project Manager for the Academy of Sciences, the Academy of Sciences does not currently have funds set aside for the projected $60 million of private contributions and other government funds to support the total estimated project costs of $146,230,000. However, Mr. Klemer advises that the Academy of Sciences plans to undertake a major capital campaign to raise these $60 million of funds. Ms. Meagan Levitan of the Academy of Sciences reports that a $2.1 billion State Parks Bond proposition, which is also scheduled to be on the March of 2000 ballot, contains a specific allocation of $10 million for the California Academy of Sciences project, for exhibits and education. Ms. Levitan advises that if approved by the California voters, this $10 million of State bond funds would be used as one of the funding sources towards the $60 million of funds to be raised by the Academy of Sciences.

6. The Budget Analyst notes that the Bond Program Report states that in the event that the final project costs are in excess of the $87,445,000 General Obligation Bond monies, and any available interest earnings, the only source of additional funding would be through contributions raised by the Academy of Sciences. Therefore, the Budget Analyst recommends that the proposed ordinance be amended in order to limit the City's liability for cost overruns. Mr. David Sanchez of the City Attorney's Office states that such an amendment should add a Section 2 to state that "The Board of Supervisors of the City and County will not authorize the appropriation of any general fund moneys of the City and County, other than bond proceeds, including interest earnings, to pay the costs of the above-referenced project."

7. The proposed ordinance would waive any and all of the requirements set forth in Section 2.31 of the City's Administrative Code relating to the timely introduction of public interest and necessity resolutions that are or may become applicable to actions of the Board of Supervisors necessary for the submission of this proposition. According to Mr. Sanchez, this provision is necessary because the deadline date was September 20, 1999, for the introduction of the resolution determining and declaring the public interest and necessity for the Academy of Sciences public improvements at an estimated cost of $87,445,000 to be on the March 7, 2000 ballot (File 99-1770). However, Mr. Sanchez notes that this resolution was not introduced on September 20, 1999, because the Board of Supervisors did not meet on that date due to the Jewish holiday of Yom Kippur. Mr. Sanchez advises that the resolution was however, introduced on the following day, September 21, 1999, when the Board of Supervisors convened.

8. The proposed ordinance would also waive the word limit for ballot propositions imposed by the San Francisco Municipal Elections Code Section 510. According to Ms. Naomi Nishioka of the Department of Elections, in accordance with the local Elections Code, the current word limit for such ballot propositions is

30 words. The Budget Analyst notes that the proposed ordinance currently contains 46 words, or 16 words more than the limit. Ms. Nishioka reports that it is not uncommon for General Obligation Bond measures to exceed the word limits imposed by the local Elections Code. Although the proposed $87,445,000 Academy of Sciences General Obligation Bond ballot measure exceeds the local Elections Code word limit, Ms. Nishioka advises that it is not likely to result in any significant impacts on the cost of the election.

Recommendations: 1. In accordance with Comment No. 6 above, amend the proposed ordinance to add a Section 2 to state that "The Board of Supervisors of the City and County will not authorize the appropriation of any general fund moneys of the City and County, other than bond proceeds, including interest earnings, to pay the costs of the above-referenced project".

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Proposed Public Project Budget
Seismic Renovation and Code Compliance

General Construction Cost in Thousands	Bond Funded Cost	Other Funded Cost	Total Cost
1.0 Earthwork and Demolition	$2,691	$0	$2,691
2.0 Building Shell			
Foundations	$620	$0	$620
Substructure	5,232	0	5,232
Superstructure	10,913	0	10,913
Architectural Finishes	10,863	0	10,863
Mechanical Systems	7,257	0	7,257
Electrical Systems	3,947	0	3,947
Site Utilities	250	0	250
Total 2.0 Building Shell	$39,081	$0	$39,081
3.0 Special Finishes			
Tank Protective Coatings	$65	$0	$65
Acrylic Viewing Windows	0	0	0
Total 3.0 Special Finishes	$65	$0	$65
4.0 Specialized Equipment			
Life Support Systems	$380	$0	$380
Hoists	0	0	0
Group 1 Equipment	2,000	0	2,000
Total 4.0 Specialized Equipment	$2,380	$0	$2,380
5.0 Sitework			
Service/Corporation Yard Repairs	$728	$0	$728
Terraces and Entries	773	0	773
Sitework Repairs	525	0	525
Total 5.0 Sitework	$2,026	$0	$2,026
Subtotal	$46,243	$0	$46,243
General Conditions	5,318	0	5,318
Contractor's Overhead & Profit	2,062	0	2,062
Subtotal	$53,623	$0	$53,623
6.0 Exhibitry	$0	23,750	$23,750
Subtotal	$53,623	$23,750	$77,373
Scope Development Contingency	5,362	2,375	7,737
Subtotal	$58,986	$26,125	$85,111
Construction Contingency	5,899	2,613	8,511
Escalation	8,111	3,592	11,703
Total Construction Cost in Thousands	$72,995	$32,330	$105,324

Project Cost in Thousands	Bond Funded Cost	Other Funded Cost	Total Cost
Total Construction Cost in Thousands	$72,995	$32,330	$105,324
Other Project Costs In Thousands			
7.0 Hazardous Materials Mitigation Cost	$1,250	$0	$1,250
8.0 Permits & Fees			
Review of Existing EIR	$800	$0	$800
Professional Design Fees	0	9,137	9,137
Exhibit/FF&E Design Fees	0	8,082	8,082
Project & Construction Management	0	5,056	5,056
Civil & Geotechnical Engineering	170	100	270
Hazmat Mitigation Design Fees	45	0	45
Security & MIS Consultants	75	0	75
Permits & Plan Check Fees	800	0	800
Inspections & Testing	1,000	0	1,000
Owner's Insurance & Performance B	965	0	965
Utility Fees	250	0	250
City Agency Fees	700	0	700
Bond Legal & Financing	0	0	0
General Project Legal Fees	0	500	500
Inhouse Facilities Engineering	0	195	195
Subtotal 8.0 Permits & Fees	$4,825	$23,070	$27,896
9.0 Temporary Systems, Relocation & Mo	$4,500	$0	$4,500
10.0 FF&E	$0	$4,500	$4,500
11.0 Telecommunications & Security Syst	$1,200	$100	$1,300
12.0 Art Enrichment	$1,460	$0	$1,460
Total Other Project Costs	$13,235	$27,670	$40,906
Total Project Cost	$86,230	$60,000	$146,230

Item 2 – File 99-1537

Note: This item was continued by the Finance and Labor Committee at its meeting of October 27, 1999.

Department: San Francisco Unified School District (SFUSD)

Item: Ordinance appropriating $60,713,766 of General Obligation Bonds (Educational Facility Bonds, 1997A – SFUSD) Series 1999B proceeds for Phase I capital improvement projects on various school facilities, cost of issuance, and debt service, for the San Francisco Unified School District for fiscal year 1999-2000.

Amount: $60,713,766

Source of Funds: General Obligation Bonds (Educational Facility Bonds, 1997A – SFUSD) Series 1999B, hereafter referred to as "Educational Facility Bonds, Series 1999B".

Description: On June 3, 1997, a total of $90,000,000 in General Obligation Bonds for the construction and upgrading of SFUSD educational facilities was approved by the electorate. Educational Facility Bonds, Series 1999B were issued on June 16, 1999 for the construction and/or reconstruction of educational facilities for the SFUSD. According to Ms. Laura Opsahl-Bordelon of the Mayor's Office of Public Finance and Economic Development, the total Bond proceeds for Educational Facility Bonds, Series 1999B are in the amount of $60,713,766.

The subject supplemental appropriation would appropriate the $60,713,766 in Bond proceeds for the following: (a) $60,287,090 for Phase I capital improvement projects on various SFUSD school facilities, (b) $235,050 for bond issuance costs, and (c) $191,626 for debt service costs (accrued interest payments and a portion of the underwriter's premium).

SFUSD expenditure data previously provided to the Budget Analyst showed that the SFUSD expended $37,818,784 for Phase I capital improvement projects without appropriation approval from the Board of Supervisors. As explained in Comment No. 3, revised

data submitted by the SFUSD now shows that a total of $36,481,103 has been expended, including (a) $23,152,192 for Phase I capital improvement projects, (b) $7,456,497 for Phase II capital improvement projects, and (c) $5,872,414 for additional projects.

Budget: The budget for Phase I capital improvement projects is summarized as follows:

	Incurred as of 10/19/99	Not Yet Expended	Total Estimated Costs
Phase I Capital Improvement Projects (as detailed in Section B of Attachment I)	$23,152,192	$37,134,898	$60,287,090
Bond Issuance Costs	0	235,050	235,050
Debt Service	0	191,626	191,626
TOTAL	$23,152,192	$37,561,574	$60,713,766

Section B of Attachment I, provided by the SFUSD, contains a project budget for projects totaling $60,287,090 for Phase I of the SFUSD's capital improvement program which would be funded by the Educational Facility Bonds, Series 1999B in FY 1999-2000.

Section A of Attachment I also contains the proposed projects totaling $29,712,910 for Phase II of the SFUSD's capital improvements program. Together, Phases I and II account for the total SFUSD capital improvement program cost of $90,000,000. According to Mr. Tim Tronson of the SFUSD, the SFUSD will seek a second bond issuance to fund Phase II. He advises that the SFUSD anticipates, based on current project scheduling and subject to Board of Supervisors approval, that the second bond issuance will occur within the next 12-18 months.

Comments:

1. In November 1997, the Board of Supervisors authorized and directed the sale of General Obligation Bonds (Educational Facility Bonds, 1997 – SFUSD) Series 1998C not to exceed $47,000,000 (Resolution No. 149-98). The issuance of General Obligation Bonds (Educational Facility Bonds, 1997 – SFUSD) Series 1998C was delayed due to litigation related to Proposition D which had been placed on the same June 3, 1997 ballot to authorize the City to issue Football Stadium Bonds to finance a portion of a new stadium development project at Candlestick Point. This litigation delayed bond counsel issuing a final opinion on the validity of the SFUSD bonds. Consequently, the SFUSD requested that additional Bond funds be issued to cover project costs for an additional year. On March 1, 1999 the Board of Supervisors authorized and directed the sale of Educational Facility Bonds, Series 1999B, not to exceed $64,000,000 (File 99-0200), thereby replacing the previous authorization of $47,000,000. This represented an increase of $17,000,000, or approximately 36 percent.

Educational Facility Bonds, Series 1999B were issued on June 16, 1999 (File 99-1154). According to Ms. Opsahl-Bordelon, the total Bond proceeds for Educational Facility Bonds, Series 1999B are in the amount of $60,713,766.

2. In July of 1998, the SFUSD submitted to the Finance Committee of the Board of Supervisors a budget breakdown of the proposed $60,287,090 Phase I capital improvements program to be funded by the subject Educational Facility Bonds, Series 1999B. Although the total budget of $60,287,090 remains unchanged, between July 1998 and October 1999 there have been various shifts in the allocation of funds between component capital improvement projects.

In response to the request by the Finance and labor Committee, at its meeting of September 15, 1999, the SFUSD has prepared its first report, to be issued quarterly, pertaining to the bond expenditures. This report was prepared by the SFUSD after conferring with the Mayor's Office of Finance, the Controller's Office and the Office of the Budget Analyst. The SFUSD will update this report, on a quarterly basis, to provide a review of

actual SFUSD spending and projected capital improvement project costs in order to determine the extent to which bond funds have been expended for the purposes originally identified for the issuance of the bonds.

Attachment I contains (a) an explanatory cover memorandum from the SFUSD, (b) a summary of total project expenditures (Section A), and (c) a report on expenditures against the first bond issuance of $60,287,090 (Section B).

3. As shown in Sections A and B of the SFUSD report in Attachment I, the SFUSD has already incurred Phase I capital improvement project expenditures of $23,152,192, or approximately 38 percent, of the subject $60,287,090 prior to obtaining Board of Supervisors approval. In addition, as shown in Section A of the report in Attachment I, the SFUSD has already expended (a) $7,456,497 on preliminary Phase II design and architecture fees against the proposed second bond issuance of $29,712,910, and (b) $5,872,414 on additional projects. As explained in the SFUSD cover memo in Attachment I, the SFUSD has authorized these expenditures to leverage State grants in the total amount of $46,980,924 for capital improvements. This has resulted in some of the projects which were originally to be funded by Educational Facility Bonds, Series 1999B funds being funded instead by State grants, thereby releasing Educational Facility Bonds, Series 1999B funds for projects not proposed in the SFUSD's original program. Therefore, the SFUSD intends to complete all projects originally specified for Phases I and II, plus expend an additional $46,980,924 in State funds for other capital improvements, as shown in Attachment I, Section A.

The SFUSD's capital improvement project expenditures to date, total $36,481,103 ($23,152,192 + $7,456,497 + $5,872,414), or approximately 40.5 percent of the total $90,000,000 proposed for Phases I and II of the SFUSD's capital improvements program.

4. Attachment II is a memorandum from Mr. Tronson which further explains why the SFUSD has expended

bond funds prior to obtaining appropriation approval from the Board of Supervisors.

5. This item was continued by the Finance and Labor Committee at its meeting of October 27, 1999 because of a question over the legality of expending Phase I capital improvement project bond funds for Phase II projects. The SFUSD has requested a letter from their Bond Counsel addressing this point. As of the writing of this report, the letter from SFUSD's Bond Counsel has not been issued.

Recommendation: Because capital improvement expenditures of $36,481,103, or approximately 40.5 percent, of the $90,000,000 proposal for Phases I and II of the SFUSD's capital improvement program have already been incurred by the SFUSD prior to obtaining appropriation approval from the Board of Supervisors, approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MEMORANDUM

DATE: October 19, 1999

TO: Linda Davis, Interim Superintendent
Enrique Navas, Chief Financial Officer

FROM: Tim Tronson, Executive Director, Facilities Management and Development
Rafael Parra, Director of Design and Construction

SUBJECT: 1997 Proposition A Quarterly Report

This is in response to your request for a Quarterly Report on 1997 Proposition A expenditures. Attached you will find a report which has been organized to comply with this request, in accordance with the criteria specified:

1) Name of school (under the heading 'School')
2) List of Projects to be completed at each School Site (under the heading 'Description')
3) Phase I Original Budget Amount (under the heading 'Original Budget Amount')
4) Actual Expenditure to Date (under the heading 'Total Expenditure To Date')
5) Projected Remaining Expenditure (under the heading 'Projected Remaining Expenditure')
6) Total Project Expenditure (under the heading 'Revised Project Budget')

Please note that the attached Quarterly Report utilizes the preliminary fund allocation ('Original Budget Amount') for each project category identified in the 1997 Proposition A Program.

Cost Variances

The San Francisco Unified School District total facility needs are currently estimated at $1.1 billion, of which the District has approximately $190 million in available funds, with the remaining unfunded need at approximately $910 million. The 1997 Proposition A is one of five funding sources that provides over $90 million to pay for new school construction, children's center renovations, seismic upgrades, technology upgrades, and science lab improvements. Due to the $910 million unfunded need, the School District is engaged in a continual effort to secure local, state and federal funds for the purpose of making school facility improvements. Cost variances in the current Prop A program are primarily the result of very rough cost estimates used for planning purposes only (i.e. see

'Original Budget Amount'); these estimates are vastly different from the final detailed cost estimates which are provided by Architects and Engineers (i.e. see 'Revised Project Budget'). Other cost variances are the result of completed projects fully or partially funded by the State Leroy Greene program (see footnote #1 – completed/State Funds); projects that will be funded by the State program (see footnote #2 – Prop A/State Funds); projects that have been completed using other District funds (see footnote #3 – Completed/District Funds); projects that have been combined with other Proposition A projects (see footnote #4 – Combined Prop A Projects); and finally, projects that were deleted from the program because the school site was changed to a leased site (see footnote #5 – Non School Site).

In general, with regard to cost variances between the Original Budget Amount and the Revised Budget Amount, any money made available by projects with positive cost variances (see report heading 'Program Budget Balance') are first diverted to: 1) Prop A projects with negative cost variances; 2) secondly, school construction projects requiring additional funding (i.e. see projects listed in the section 'Additional Proposition A Projects').

Leroy Green Leveraged Funds

Please note that this report shows 17 schools that are currently programmed to receive leveraged funds from the State's Leroy Green facility improvement program (see report heading 'Leverage/State Grant') as a result of expenditures from 1997 Prop A. We estimate that the District will be eligible to receive an additional $47 million dollars in Leroy Green funds as a result of our current 1997 Prop A program. Once again, any positive cost variances resulting from additional state funds will be diverted to projects with negative cost variances and/or to additional Prop A school improvement projects not included in the original bond proposal.

In addition, we have provided you with a line describing the current the status (under report heading 'Status') of each project in the Quarterly Report, to be updated regularly with the most current information on the status of each project.

If you require any additional information, please contact me (355-6961) or Mr. Parra (355-6955) at your convenience.

SUMMARY

TOTAL PROJECT EXPENDITURE
(ALL PROJECT COSTS)

TOTAL PROJECT EXPENDITURES (SUMMARY)

SECTION A

SECTION B	ORIGINAL BUDGET AMOUNT	REVISED PROJECT BUDGET	TOTAL EXPEND. (TO DATE)	REMAINING EXPEND.	PROGRAM BUDGET BALANCE		LEVERAGE/ STATE GRANT		PROGRAM BALANCE + LEVERAGE/ STATE GRANT
First Bond Issuance (Project Costs):	80,287,090	50,357,443	10,235,577	34,121,866	9,929,840	+	44,436,152	=	54,365,766
Additional Prop A Projects (Project Costs):	0	8,738,829	5,770,780	968,049	-8,738,829				
Program Management Costs (Issuance I):		3,190,818	1,145,834	2,044,981					
Total First Bond Issuance:	80,287,090	80,287,090	23,152,192	37,134,897	0	+	44,436,152	=	44,436,152
SECTION C									
Second Bond Issuance (Project Costs):	29,712,910	18,973,405	909,425	18,063,979	10,739,504	+	2,544,772	=	13,284,270
Additional Prop A Projects (Project Costs):	0	7,000,545	5,221,135	2,379,410	-7,000,545				
Program Management Costs (Issuance II):		3,136,959	1,325,936	1,813,022					
Total Second Bond Issuance:	29,712,910	29,712,910	7,456,497	22,256,412	0	+	2,544,772	=	2,544,772
Total Project Expenditures (Issuance I & II):	90,000,000	90,000,000	30,608,690	59,391,309	0	+	46,980,924	=	46,980,924
SECTION D									
Additional Proposition A Projects (Project Costs):	0	7,970,415	5,872,414	2,098,000	-7,970,415				
Estimated Interest Earnings:	4,565,000								
Three Year Projected Salary Costs:		6,000,000							
Total Project Expenditures (All Project Costs):	94,565,000	103,970,415	36,481,105	67,489,310	-9,405,415	+	46,980,924	=	37,576,509

FIRST BOND ISSUANCE
(PROJECT COSTS)

SECTION B

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro. Footnote Ref. #
FIRST BOND ISSUANCE												
Project Costs												
1578	A.P. GIANNINI MS	Science Lab Upgrade	SL	273,531	203,787	2,922	200,864				Under Design	
1883	A.P. GIANNINI MS	Technology/Electrical	TEC	427,206	417,309	1,000	416,309				Under Construction	
		SUBTOTAL:		700,737	621,096	3,922	617,173	79,640	+ 0	= 79,640		
1406	ABRAHAM LINCOLN HS	Leroy Greene/Prop A	LGA	333,333	184,236	80,176	104,061				Complete	
1880	ABRAHAM LINCOLN HS	Science Lab Upgrade	SL	957,359	901,554	33,802	927,752				Under Design	
PA_01	ABRAHAM LINCOLN HS		TEC	363,410	0	0	0				(Compl./State Fund)	1
		SUBTOTAL:		1,654,102	845,792	113,979	731,813	808,309	+ 0	= 808,309		
2037	ALAMO ES	Technology/Electrical	TEC	259,059	120,014	3,449	116,565				Awaiting Bid/Award	
		SUBTOTAL:		259,059	120,014	3,449	116,565	139,044	+ 0	= 139,044		
1589	ALICE FONG YU ES	New School Building	NS	4,525,765	4,525,765	259,519	4,266,245				Awaiting Bid/Award	
		SUBTOTAL:		4,525,765	4,525,765	259,519	4,266,245	0	+ 0	= 0		
1006	ALVARADO ES	Technology/Electrical	TEC	274,186	68,100	53,717	12,383				Complete	
		SUBTOTAL:		274,186	68,100	53,717	12,383	206,087	+ 0	= 206,087		
0119	APTOS MS	Modernization (L/G)	LGA	0	214,940	185,029	29,310				Under Design	
PA_03	APTOS MS		SL	307,723	0	0	0				(Prop A/State Funded)	2
PA_04	APTOS MS		TEC	522,180	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		829,903	214,940	185,029	29,310	614,963	+ 2,332,055	= 2,947,011		
1593	ARGONNE CC	New School Building	NS	3,000,000	2,275,783	98,605	2,177,178				Awaiting Bid/Award	
		SUBTOTAL:		3,000,000	2,275,783	98,605	2,177,178	724,216	+ 0	= 724,216		
0122	ARGONNE ES	Technology	TEC	105,732	254,693	176,189	78,503				Complete	
		SUBTOTAL:		105,732	254,693	176,189	78,503	-148,961	+ 0	= -148,961		
10019	BALBOA HS	Auto Shop Clean-up	LGA	0	7,480	0	7,480				Under Design	
1581	BALBOA HS	Science/Tech Lab Upgrade	LGA	333,333	1,670,556	310,269	1,360,286				Under Construction	
1736	BALBOA HS	Door Replacement	LGA	0	418,408	289,752	128,655				Under Construction	
3081	BALBOA HS	Balboa Child Care	LGA	0	10,000	0	10,000				Under Design	
PA_05	BALBOA HS		SL	782,574	0	0	0				(Compl./State Fund)	1

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE		LEVERAGE/ STATE GRANT		PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
PA_06	BALBOA HS		SIC	620,000	0	0	0						(Prop A/State Funded)	2
PA_07	BALBOA HS		TEC	714,466	0	0	0						(Prop A/State Funded)	2
		SUBTOTAL:		2,450,373	2,112,440	600,041	1,512,404	337,920	+	1,132,820	=	1,470,747		
1722	BENJAMIN FRANKLIN MS	Technology/Electrical	TEC	447,184	348,092	29,144	318,948						Awaiting Bid/Award	
		SUBTOTAL:		447,184	348,092	29,144	318,948	99,071	+	0	=	99,071		
1820	BUENA VISTA ES	Technology/Electrical	TEC	195,107	150,786	14,669	142,117						Under Construction	
		SUBTOTAL:		195,107	150,786	14,669	142,117	30,320	+	0	=	30,320		
10104	BURNETT CC	Technology/Electrical	TEC	0	1,041	0	1,041						Awaiting Bid/Award	
		SUBTOTAL:		0	1,041	0	1,041	-1,041	+	0	=	-1,041		
1821	CABRILLO ES	Technology/Electrical	TEC	223,335	230,767	183,359	47,407						Complete	
		SUBTOTAL:		223,335	230,767	183,359	47,407	-7,432	+	0	=	-7,432		
0810	CLAIRE LILIENTHAL (K-2)	Claire Lilienthal Reconstructio	LGA	0	10,737	10,043	2,094						Complete	
1033	CLAIRE LILIENTHAL (K-2)	Prop A/State Funds	LGA	4,000,000	4,588,864	2,720,823	1,868,040						Complete	
		SUBTOTAL:		4,000,000	4,807,801	2,745,466	1,882,134	-807,801	+	1,383,344	=	765,743		
1720	CLAIRE LILIENTHAL ES (3 - 6)	Technology/Electrical	TEC	215,901	177,336	15,405	161,930						Awaiting Bid/Award	
		SUBTOTAL:		215,901	177,336	15,405	161,930	38,564	+	0	=	38,564		
1822	CLARENDON ES	Technology/Electrical	TEC	201,267	165,817	15,031	150,786						Awaiting Bid/Award	
		SUBTOTAL:		201,267	165,817	15,031	150,786	35,449	+	0	=	35,449		
1823	CLEVELAND ES	Technology/Electrical	TEC	223,335	273,371	122,456	150,914						Complete	
		SUBTOTAL:		223,335	273,371	122,456	150,914	-50,036	+	0	=	-50,036		
2040	DANIEL WEBSTER ES	Technology/Electrical	TEC	224,386	86,360	2,980	83,380						Awaiting Bid/Award	
		SUBTOTAL:		224,386	86,360	2,980	83,380	138,025	+	0	=	138,025		
1580	DOWNTOWN HS	Science Lab Upgrade	SL	193,751	154,580	3,391	151,188						Complete	
1715	DOWNTOWN HS	Technology/Electrical	TEC	232,189	153,937	15,304	138,633						Awaiting Bid/Award	
		SUBTOTAL:		425,940	308,517	18,695	289,822	117,422	+	0	=	117,422		
0224	DR. WILLIAM COBB ES/CC	Modernization (L/G)	LGA	0	15,281	14,199	1,082						Under Construction	
PA_08	DR. WILLIAM COBB ES/CC		TEC	194,277	0	0	0						(Prop A/State Funded)	2

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
		SUBTOTAL:		194,277	15,281	14,199	1,082	178,995 +	787,184	= 966,179		
1819	E.R. TAYLOR ES	Technology/Electrical	TEC	201,453	247,073	26,386	220,686					
		SUBTOTAL:		201,453	247,073	26,386	220,686	34,380 +	0	= 34,380	Awaiting Bid/Award	
1550	EL DORADO ES	Modernization (L/G)	LGA	0	57,973	35,792	22,180					
PA_11	EL DORADO ES		TEC	223,335	0	0	0				Under Design	
		SUBTOTAL:		223,335	57,973	35,792	22,180	165,362 +	1,266,714	= 1,432,076	In Planning	
0232	EVERETT MS	Modernization (L/G)	LGA	0	111,556	54,523	57,034					
PA_13	EVERETT MS		SL	193,751	0	0	0				Under Design	
PA_14	EVERETT MS		TEC	488,174	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		881,925	111,556	54,523	57,034	570,367 +	3,217,010	= 3,787,377	(Prop A/State Funded)	2
1607	FAIRMOUNT ES	Technology/Electrical	TEC	252,394	187,033	141,757	45,075					
		SUBTOTAL:		252,394	187,033	141,757	45,075	84,760 +	0	= 84,760	Complete	
0204	FRANCISCO MS	Modernization (L/G)	LGA	0	53,808	13,151	40,658					
PA_16	FRANCISCO MS		SL	307,723	0	0	0				Under Design	
PA_17	FRANCISCO MS		TEC	426,963	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		734,686	53,808	13,151	40,658	680,877 +	2,810,758	= 3,491,635	(Prop A/State Funded)	2
1636	G. MOSCONE/L. AMERICAS ES/CC	Technology/Electrical	TEC	50,886	320,819	249,760	71,058					
		SUBTOTAL:		50,886	320,819	249,760	71,058	-203,933 +	0	= -203,933	Complete	
1706	G. WASHINGTON CARVER ES	Technology/Electrical	TEC	252,394	197,802	16,035	181,767					
		SUBTOTAL:		252,394	197,802	16,035	181,767	54,591 +	0	= 54,591	Awaiting Bid/Award	
1872	GALILEO HS	Modernization (L/G)	LGA	333,333	1,760,458	11,245	1,749,213					
PA_18	GALILEO HS		SL	714,192	0	0	0				Under Design	
PA_19	GALILEO HS		SIC	800,000	0	0	0				(Prop A/State Funded)	2
PA_20	GALILEO HS		TEC	879,774	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		2,727,299	1,760,458	11,245	1,749,213	966,840 +	7,275,581	= 8,242,421	(Prop A/State Funded)	2
1808	GARFIELD ES	Technology/Electrical	TEC	216,071	230,160	173,372	56,787					
		SUBTOTAL:		216,071	230,160	173,372	56,787	-14,089 +	0	= -14,089	Complete	
1560	GEORGE WASHINGTON HS	Science Lab Upgrade	SL	1,299,230	917,282	10,240	907,042					
1661	GEORGE WASHINGTON HS	Technology/Electrical	TEC	1,222,790	952,754	53,654	899,099				Under Design	
1560	GEORGE WASHINGTON HS	Science Lab Upgrade	SL	0	93,446	0	93,446				Awaiting Bid/Award	
											Under Design	

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PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE		LEVERAGE/ STATE GRANT		PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
		SUBTOTAL:		2,522,020	1,963,402	63,094	1,899,587	558,537	+	0	=	558,537		
1009	GOLDEN GATE ES	Technology/Electrical	TEC	259,059	220,282	172,182	54,099						Complete	
		SUBTOTAL:		259,059	220,282	172,182	54,099	33,370	+	0	=	33,370		
10000	GRATTAN ES/CC	Technology/Electrical	TEC	230,599	102,953	3,063	99,890						Awaiting Bid/Award	
		SUBTOTAL:		230,599	102,953	3,063	99,890	127,646	+	0	=	127,646		
0214	GUADALUPE ES/CC	Modernization (L/G)	LGA	0	207,301	30,013	177,288						Under Design	
PA_24	GUADALUPE ES/CC		TEC	200,800	0	0	0						(Prop A/State Funded)	2
		SUBTOTAL:		200,800	207,301	30,013	177,288	1,504	+	1,311,000	=	1,312,504		
1575	HERBERT HOOVER MS	Science Lab Upgrade	SL	273,531	230,658	17,921	218,037						Under Design	
1004	HERBERT HOOVER MS	Technology/Electrical	TEC	456,059	400,417	1,000	405,417						Awaiting Bid/Award	
		SUBTOTAL:		729,590	702,975	18,921	684,054	20,014	+	0	=	20,014		
0271	HILLCREST ES	Hillcrest ES (Imp. Plan)	LGA	0	30,807	19,469	19,338						Payments Pending (DIS)	
10108	HILLCREST ES	Modernization (L/G)	LGA	0	92,004	22,077	40,120						Under Design	
1728	HILLCREST ES	Technology/Electrical	TEC	281,453	290,239	19,519	270,720						Awaiting Bid/Award	
		SUBTOTAL:		281,453	397,051	61,065	330,185	-110,398	+	1,484,980	=	1,300,581		
1719	HORACE MANN ACADEMIC MS	Technology/Electrical	TEC	386,705	275,019	20,378	248,041						Awaiting Bid/Award	
		SUBTOTAL:		386,705	275,019	20,378	248,041	111,685	+	0	=	111,685		
1507	IDA B. WELLS HS	Science Lab Upgrade	SL	357,000	250,933	197,314	59,500						Complete	
1824	IDA B. WELLS HS	Technology/Electrical	TEC	220,682	194,208	147,045	47,163						Complete	
		SUBTOTAL:		577,770	451,141	344,309	106,751	120,630	+	0	=	120,630		
1810	INTERNATIONAL STUDIES HS	Technology/Electrical	TEC	280,316	231,317	175,827	55,489						Complete	
		SUBTOTAL:		280,316	231,317	175,827	55,489	49,000	+	0	=	49,000		
1585	J. EUGENE MCATEER HS	Science Lab Upgrade	SL	802,354	684,843	19,073	645,709						Awaiting Bid/Award	
1825	J. EUGENE MCATEER HS	Technology/Electrical	TEC	790,151	702,931	599,212	103,718						Complete	
PA_25	J. EUGENE MCATEER HS		CC	50,000	0	0	0						(Combine Prop A/Projects)	4
		SUBTOTAL:		1,710,505	1,387,774	618,286	749,488	342,730	+	0	=	342,730		
1578	JAMES LICK MS	Science Lab Upgrade	SL	193,751	155,200	1,257	154,009						Complete	
1710	JAMES LICK MS	Technology/Electrical	TEC	564,507	286,105	30,791	249,374						Awaiting Bid/Award	
		SUBTOTAL:		758,258	441,431	38,048	403,383	316,826	+	0	=	316,826		

PROGRESS REPORT AS OF OCTOBER 1999

10/19/99 (DRAFT)

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
1611	JEAN PARKER ES	Technology/Electrical	TEC	111,773	23,952	11,195	12,756					
		SUBTOTAL:		111,773	23,952	11,195	12,756	87,821 +	0 =	87,821	In Planning	
1707	JOHN MUIR ES	Technology/Electrical	TEC	325,041	220,648	21,424	199,224					
		SUBTOTAL:		325,041	220,648	21,424	199,224	104,392 +	0 =	104,392	Awaiting Bid/Award	
10092	JOHN SWETT ES	Technology/Electrical	TEC	212,242	87,320	3,819	83,501					
		SUBTOTAL:		212,242	87,320	3,819	83,501	144,922 +	0 =	144,922	Awaiting Bid/Award	
1813	JOHN YEHALL CHIN ES	Technology/Electrical	TEC	194,277	191,324	140,047	51,277					
		SUBTOTAL:		194,277	191,324	140,047	51,277	2,952 +	0 =	2,952	Complete	
1812	LAFAYETTE ES	Technology/Electrical	TEC	288,718	221,591	34,548	187,042					
		SUBTOTAL:		288,718	221,591	34,548	187,042	67,126 +	0 =	67,126	Complete	
10102	LOWELL HS	Tem. Portable Installatio	LGA	0	112,000	0	112,000					
1590	LOWELL HS	New Building/Renovation	LGA	3,550,330	3,550,330	291,320	3,205,015				Under Design	
PA_32	LOWELL HS		SL	217,108	0	0	0				Under Design	
PA_45	LOWELL HS		TEC	121,932	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		3,889,370	3,888,330	291,320	3,377,015	227,040 +	9,222,269 =	9,449,309	(Prop A/State Funded)	2
1577	LUTHER BURBANK MS	Science Lab Upgrade	SL	307,723	371,127	10,287	360,839					
1725	LUTHER BURBANK MS	Technology/Electrical	TEC	522,180	341,651	24,052	317,598				Under Design	
		SUBTOTAL:		829,903	712,778	34,340	678,438	117,124 +	0 =	117,124	Awaiting Bid/Award	
10177	MARINA MS	Portable Installation	CC	0	58,474	0	58,474					
1579	MARINA MS	Science Lab Upgrade	SL	273,531	229,119	3,507	225,551				Under Design	
		SUBTOTAL:		273,531	287,593	3,507	284,026	-14,062 +	0 =	-14,062	Under Design	
0146	MISSION HS	Modernization (L/G)	LGA	1,100,000	397,058	59,033	338,224					
1582	MISSION HS	Science Lab Upgrade	LGA	440,060	1,223,720	1,103,920	39,800				Complete	
PA_34	MISSION HS		TEC	799,542	0	0	0				Under Construction	
		SUBTOTAL:		2,340,202	1,621,564	1,243,559	378,025	718,617 +	4,372,943 =	5,091,560	(Compl./State Fund)	1
PA_46	NEW TRADITIONS ES		TEC	179,747	0	0	0					
		SUBTOTAL:		179,747	0	0	0	179,747 +	0 =	179,747	(Compl./State Fund)	1
1591	PARKSIDE ES/CC	Prop A/State Funds	LGA	4,090,030	4,090,030	315,335	3,775,294					
		SUBTOTAL:		4,090,030	4,090,030	315,335	3,775,294	0 +	3,000,000 =	3,000,000	Under Design	

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PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE)	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
1615	PHILIP & SALA BURTON HS	Technology/Electrical	TEC	686,303	557,956	382,486	175,469				Close Out Phase	
PA_35	PHILIP & SALA BURTON HS		CC	50,000	0	0	0				(Combine Prop A/Projects)	4
PA_36	PHILIP & SALA BURTON HS		SL	717,976	0	0	0				(Compl /District Funds)	3
		SUBTOTAL:		1,436,279	557,956	382,486	175,469	878,322	0	878,322		
1723	POTRERO HILL MS	Technology/Electrical	TEC	392,957	269,725	25,611	244,114				Awaiting Bid/Award	
		SUBTOTAL:		392,957	269,725	25,611	244,114	123,231	0	123,231		
0720	PRESIDIO MS	Modernization (LG)	LGA	0	60,044	50,466	10,177				Under Design	
10147	PRESIDIO MS	Modernization (LG)	LGA	0	57,139	0	57,139				Under Design	
PA_37	PRESIDIO MS		SL	273,531	0	0	0				(Prop A/State Funded)	2
PA_38	PRESIDIO MS		TEC	366,172	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		639,703	117,183	50,466	67,317	521,919	3,517,743	4,039,662		
1583	RAOUL WALLENBERG HS	Science Lab Upgrade	SL	471,067	330,144	11,311	320,832				Under Construction	
1618	RAOUL WALLENBERG HS	Technology/Electrical	TEC	296,234	240,416	29,433	210,982				Awaiting Bid/Award	
		SUBTOTAL:		767,301	664,660	40,746	643,815	172,740	0	172,740		
1616	ROOFTOP (R. MAYEDA CAMPUS)	Technology/Electrical	TEC	137,526	112,090	80,591	31,498				Complete	
		SUBTOTAL:		137,526	112,090	80,591	31,498	25,437	0	25,437		
1617	ROOFTOP ES	Technology/Electrical	TEC	234,355	226,525	172,290	50,234				Complete	
		SUBTOTAL:		234,355	226,525	172,290	50,234	5,829	0	5,829		
1713	ROOSEVELT MS	Technology/Electrical	TEC	392,950	273,664	25,900	247,764				Awaiting Bid/Award	
		SUBTOTAL:		392,950	273,664	25,900	247,764	119,285	0	119,285		
1626	ROSA PARKS ES	Technology/Electrical	TEC	303,247	341,631	254,244	87,387				Complete	
		SUBTOTAL:		303,247	341,631	254,244	87,387	-38,384	0	-38,384		
1627	S.F. COMMUNITY ES	Technology/Electrical	TEC	160,571	129,380	14,160	115,219				Awaiting Bid/Award	
		SUBTOTAL:		160,571	129,380	14,160	115,219	31,191	0	31,191		
0220	SANCHEZ ES	Modernization (LG)	LGA	0	25,202	12,915	12,347				Under Design	
PA_39	SANCHEZ ES		TEC	332,305	0	0	0				(Prop A/State Funded)	2
		SUBTOTAL:		332,305	25,202	12,915	12,347	307,042	1,041,751	1,348,793		
1740	SCHOOL SUPPLIES WAREHOUSE	Warehouse Building Renovi	SIC	410,000	2,232,155	1,454,367	777,788				Under Construction	
		SUBTOTAL:		410,000	2,232,155	1,454,367	777,788	-1,822,155	0	-1,822,155		

PROGRESS REPORT AS OF OCTOBER 1999

10/10/99 (DRAFT)

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - D) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Info Footnote Ref. #
1592	SHERIDAN ES	Prop A/State Funds	LGA	6,000,000	5,741,902	4,116,751	1,626,210					
PA_40	SHERIDAN ES		TEC	105,732	0	0	0				Under Construction	
		SUBTOTAL:		6,105,732	5,741,902	4,116,751	1,626,210	-330,230	+ 300,000	= -330,230	(Prop A/State Funded)	2
10098	SHERMAN ES	Technology/Electrical	TEC	289,622	126,273	3,846	124,427					
		SUBTOTAL:		289,622	126,273	3,846	124,427	161,349	+ 0	= 161,349	Awaiting Bid/Award	
10099	SPRING VALLEY ES	Technology/Electrical	TEC	0	1,000	0	1,000					
		SUBTOTAL:		0	1,000	0	1,000	-1,000	+ 0	= -1,000	Awaiting Bid/Award	
1828	STARR KING ES	Technology/Electrical	TEC	252,394	206,591	163,081	45,509					
		SUBTOTAL:		252,394	206,591	163,081	45,509	43,003	+ 0	= 43,003	Complete	
1029	SUNSHINE ES	Technology/Electrical	TEC	150,209	113,105	15,762	97,342					
		SUBTOTAL:		150,209	113,105	15,762	97,342	37,103	+ 0	= 37,103	Under Construction	
1588	THURGOOD MARSHALL HS	Science Lab Upgrade	SL	193,753	186,431	8,396	178,035					
1632	THURGOOD MARSHALL HS	Technology/Electrical	TEC	500,027	253,773	173,122	80,650				Under Construction	
PA_41	THURGOOD MARSHALL HS		CAP	333,333	0	0	0				Complete	
		SUBTOTAL:		1,027,113	420,204	181,518	238,685	808,908	+ 0	= 808,908	(Combine Prop A/Projects)	4
1805	TWENTY FIRST CENTURY ES	Technology/Electrical	TEC	254,499	231,085	189,588	41,510					
		SUBTOTAL:		254,499	231,085	189,588	41,510	23,413	+ 0	= 23,413	Complete	
PA_42	VISITACION VALLEY ES		TEC	295,902	0	0	0					
		SUBTOTAL:		295,902	0	0	0	295,902	+ 0	= 295,902	(Compl./State Fund)	1
1831	WEST PORTAL ES	Technology/Electrical	TEC	36,378	186,972	21,333	165,639					
PA_43	WEST PORTAL ES		SIC	124,500	0	0	0				Awaiting Bid/Award	
		SUBTOTAL:		160,878	186,972	21,333	165,639	-26,084	+ 0	= -26,084	(Combine Prop A/Projects)	4
0221	WILLIAM R. DE AVILA ES	Modernization (L/G)	LGA	0	4,556	0	4,556					
PA_44	WILLIAM R. DE AVILA ES		TEC	208,718	0	0	0				Under Design	
		SUBTOTAL:		208,718	4,556	0	4,556	204,162	+ 0	= 204,162	(Prop A/State Funded)	2
3050	YOEY AT BESSIE SMITH CC	Site Renovation	CC	1,000,000	180,750	0	180,750					
10185	YOEY AT BESSIE SMITH CC	Renovation Phase II	CC	0	220,000	0	220,000				Under Design	
		SUBTOTAL:		1,000,000	400,750	0	400,750	599,250	+ 0	= 599,250	Awaiting Bid/Award	

1997 PROPOSITION A (Quarterly Report)

PROGRESS REPORT AS OF OCTOBER 1999

10/19/99 (DRAFT)

PROJECT	SCHOOL	DESCRIPTION	A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT =	STATUS	Info Footnote Ref #
		First Issuance (SUBTOTAL)	60,287,090	50,357,443	10,235,577	34,121,866	9,929,646	44,430,152	54,305,798		

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION		A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
FIRST BOND ISSUANCE												
Additional Prop A Projects												
0233	FILIPINO EDUCATION CENTER CC	Filipino Ed. Ctr. (Imp. Plan)	IMP	0	78,059	0	78,059					
		SUBTOTAL:		0	78,059	0	78,059	-78,059	+ 0	= -78,059	Payments Pending	
0164	TENDERLOIN ES/CC	New School Building	IMP	0	6,659,970	5,770,780	889,190					
		SUBTOTAL:		0	6,659,970	5,770,780	889,190	-6,659,970	+ 0	= -6,659,970	Under Construction	
		First Issuance (SUBTOTAL:)		0	6,738,829	5,770,780	968,049	-6,738,829	+ 0	= -6,738,829		

1997 PROPOSITION A (Quarterly Report)

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION	A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE	LEVERAGE/ STATE GRANT	PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #

FIRST BOND ISSUANCE

Program Management Costs

10010	VARIOUS SITES	Double Click (Computer Consult	TEC	0	22,571	22,571	-0			Complete
10088	VARIOUS SITES	Admin. – Earl K. Howard	NPA	0	14,500	11,562	2,937			Complete
1070	VARIOUS SITES	Consultant services / MIS	NPA	0	132,500	107,715	24,784			Complete
1401	VARIOUS SITES	C.M. Services Luster	NPA	0	640,427	280,719	655,707			Complete
1402	VARIOUS SITES	C.M. Services Luster As 2	NPA	0	920,341	211,957	808,303			Complete
1511	VARIOUS SITES	Management Files Earl H	NPA	0	14,000	14,000	0			Complete
1574	VARIOUS SITES	Program Management Jw	NPA	0	9,334	9,198	135			Complete
1601	VARIOUS SITES	Prop A Document Scanning	NPA	0	4,000	2,712	1,288			Complete
1603	VARIOUS SITES	I.T. Review Prop A 97	NPA	0	2,990	0	2,990			Complete
1634	VARIOUS SITES	Consulting Services	NPA	0	8,800	8,800	0			Complete
1639	VARIOUS SITES	Scheduling Services 97PA	NPA	0	9,460	4,590	1,870			Complete
1640	VARIOUS SITES	Program Management Jw	NPA	0	87,000	76,430	10,569			Complete
1642	VARIOUS SITES	Technology E-Rate Am	NPA	0	14,000	14,000	0			Complete
1644	VARIOUS SITES	Review the Districts Technolog	NPA	0	53,000	4,200	49,400			Complete
1655	VARIOUS SITES	Arch. Build. Review PA	NPA	0	8,704	8,704	0			Complete
1662	VARIOUS SITES	CAMP Computer Consultants	NPA	0	38,000	24,000	14,000			Complete
1667	VARIOUS SITES	Technology Design Alfa I.	NPA	0	2,500	2,500	0			Complete
1668	VARIOUS SITES	Review of Tech. CDs Alfa I.	NPA	0	2,500	0	2,500			Complete
1670	VARIOUS SITES	Business Davement INC.	NPA	0	335,702	0	335,702			Complete
1732	VARIOUS SITES	Technology E-Rate bm	NPA	0	110,000	0	110,000			Complete
1798	VARIOUS SITES	Document Review	NPA	0	510	517	0			Complete
2102	VARIOUS SITES	C.M. Services II	NPA	0	8,224	0	8,224			Complete
3030	VARIOUS SITES	Double Click (Computer Consult	TEC	0	14,000	14,000	0			Complete
3048	VARIOUS SITES	Field Documentation (CAMP)	NPA	0	1,200	0	1,200			Complete
1073	VARIOUS SITES	Fire Alarm System	HP	0	50,300	0	50,300			Complete
2012	VARIOUS SITES	Designing FPC Home Web Page	HP	0	8,000	0	8,000			Complete
1009	VARIOUS SITES	Inspection Services	IMP	0	5,912	5,140	765			Historic Data
10117	VARIOUS SITES	Fire Alarm	CAP	0	87,360	38,002	40,497			Complete
1048	VARIOUS SITES	Support Services Property	CAP	0	28,000	25,435	2,564			Historic Data
1499	VARIOUS SITES	Site surveys	CAP	0	5,240	5,240	0			Historic Data
0032	VARIOUS SITES	Value office supplies (Misc.)	MIN	0	43,552	33,492	10,060			Historic Data
10119	VARIOUS SITES	John King Senior Community	USI	0	1,665	1,665	0			Complete
10082	VARIOUS SITES	Survey Police Academy	HP	0	12,135	3,066	9,069			Complete
1403	VARIOUS SITES	Building Surveys	HP	0	15,000	0	15,000			Complete
1500	VARIOUS SITES	CM Services Don Todd	HP	0	261,500	112,899	148,601			Complete
1505	VARIOUS SITES	C.M. Services 3DI	HP	0	29,400	29,400	0			Complete
1540	VARIOUS SITES	Bar Building/Vacant Land Appra	HP	0	8,000	8,000	0			Complete
1549	VARIOUS SITES	Video/Photo Services	HP	0	8,000	5,000	3,000			Complete
1572	VARIOUS SITES	R. F. P. Sedway Group	HP	0	28,400	23,293	5,108			Complete
1598	VARIOUS SITES	Property Review	HP	0	8,004	8,004	0			Complete
1599	VARIOUS SITES	555 Franklin & 601 McAllister	HP	0	8,078	8,077	0			Complete
1709	VARIOUS SITES	District's ADA Plan	HP	0	10,000	4,954	5,045			Complete
2000	VARIOUS SITES	Geotechnical Services	HP	0	14,997	8,578	6,419			Complete

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION	A ORIGINAL BUDGET AMOUNT	B REVISED PROJECT BUDGET	C TOTAL EXPEND. (TO DATE	D (B - C) PROJECTED REMAINING EXPEND.	E (A - B) PROGRAM BUDGET BALANCE		LEVERAGE/ STATE GRANT		PROGRAM BALANCE + LEVERAGE/ STATE GRANT	STATUS	Intro Footnote Ref. #
		SUBTOTAL:	0	3,190,816	1,145,834	2,044,981	-3,190,816	+	0	=	-3,190,816		
		First Issuance (SUBTOTAL:)	0	3,190,816	1,145,834	2,044,981	-3,190,816	+	0	=	-3,190,816		

1997 PROPOSITION A (Quarterly Report) 10/19/99 (DRAFT)

PROGRESS REPORT AS OF OCTOBER 1999

PROJECT	SCHOOL	DESCRIPTION	TOTAL PROJECT EXPEND	TOTAL EXPEND (TO DATE	REMAINING EXPEND)	STATUS

	ORIGINAL BUDGET AMOUNT	REVISED PROJECT BUDGET	TOTAL EXPEND (TO DATE	REMAINING EXPEND	PROGRAM BUDGET BALANCE		LEVERAGE/ STATE GRANT		PROGRAM BALANCE + LEVERAGE/ STATE GRANT
First Bond Issuance (Project Costs)	60,267,090	50,357,443	16,235,577	34,121,866	9,929,646	+	44,430,152	=	54,365,790
Additional Prop A Projects (Project Costs)	0	6,736,629	5,770,760	966,049	-6,736,629				
Program Management Costs (Issuance I)		3,190,018	1,145,834	2,044,961					
Total First Bond Issuance	60,267,090	60,267,090	23,152,192	37,134,097	0	+	44,430,152	=	44,430,152

SFUSD SAN FRANCISCO
UNIFIED SCHOOL DISTRICT
FACILITIES PLANNING & CONSTRUCTION

Memorandum

To: Alan Gibson, Budget Analyst

CC: Enrique Naves, CFO

From: Tim Tronsgard

Date: 09/10/99

Re: Advance Expenditures

In accordance with your request, I am providing you with the San Francisco Unified School District's ("District") reasons and information related to advance expenditures of the anticipated proceeds from the General Obligation Bonds (Education Facility Bond, 1997A – San Francisco Unified School District), Series 1999B for educational improvements. The issues are as follows:

1. Since the passage of the Proposition A on June 3, 1997, the District has proceeded with the planning, review and construction of its bond funded projects. Because of the pendancy of the SF 49ers' case and bond counsel's position, the District could not sell the bonds to pay for the projects. Therefore, the District has fronted the costs of these projects from its own fund sources. The District has proceeded with these projects for the following reasons:

   (1) Long planning lead-time (see paragraph 2 below).

   (2) Availability of State funding (see paragraph 3 below).

   (3) Several of the projects affected the health and safety of the District's students and employees. The District intends to use a portion of its bond proceeds for such projects, including structural upgrades of buildings that do not meet current seismic codes.

   (4) Several of the projects improved the ability of students and employees with disabilities to utilize the District's facilities. The District intends to use a portion of its bond proceeds to address facilities issues that limit access to persons with disabilities.

   (5) The implementation of classroom reduction statewide has placed severe constraints on this District's ability to house elementary school children. The average "students per classroom loading schedule" (statewide) has gone from 32 students per classroom to 20 students per classroom. Consequentially, the

52 students per classroom to 20 students per classroom. Consequentially, the demand for elementary school facilities has exceeded the supply since the District houses far less students on the same school site. In San Francisco, we are accommodating a portion of the student housing needs with the bond proceeds. These projects include the planning and construction of the new Parkside Elementary School, three new academic wings (Sheridan ES, Claire Lilienthal ES, Alice Fong Yu ES), a gymnasium, and an auditorium.

2. The typical overall planning, review and construction process takes 24-36 months, depending on the scope of the project. The District does not go through the City Planning Department, for its plan review process, the construction of facilities, or the completion of improvements. The District goes through the Department of the State Architect (DSA) for its plan review. This process takes approximately six to eight months. In addition to DSA, the District goes through a Department of Education (DEA) review (usually 1-2 months) and a review by the Office of Public School Construction (OPSC) review (2-3 months). The District is also required to plan the site development or improvement in advance of these reviews. This process, depending on the scope of the project, takes from 12-18 months.

During this process, the District retains the services of a professional architect and all of the engineering trades (electrical, mechanical, geo-technical and structural) to complete the project plans and specifications. The District pays for all of these services and the design review as they are completed and in advance of State approval and funding and bidding approval. When this process is finished and the project is placed out to bid, the District awards and funds the completion of the project through a general contractor. The typical construction project runs 12-18 months. Considering the above information, the District had planned and prepared for bid a number of projects that were included within the bond proposal. When the bond passed, these projects were placed out to bid and awarded to general contractors for construction. These projects are currently under construction.

3. As you know, the District intends to utilize bond proceeds, bond interest earnings, and all of its other sources of revenue to build facilities, modernize facilities, augment existing facilities, and complete seismic and technology infrastructure improvements throughout the City and County of San Francisco. Since the passage of the Proposition A on June 3, 1997, the District has proceeded with the planning, review and project application process with the State for seventeen (17) District sites. These 17 projects are shared funding projects, meaning that the State will fund 80% (eighty) of the improvement project and the District will fund 20%. The total value of the improvement work to be completed on the 17 sites is $49,642,466.00. The State's 80% share amounts to $39,713,972.80 with the District's portion equaling $9,928,493.20. The District was anticipating the utilization of the interest earnings from the bond proceeds and other source funds to meet its commitment on these projects. Without the use of these interest earnings from the bond proceeds the District will be unable to proceed with the development of these projects.

September 10, 1999

Additionally, State fund grants are limited in both the amount and the duration of availability. If the District had been unable to proceed with the development of these projects by February 1998, it was likely that the District would have lost the State's commitment to fund its 80% share of $39,713,972.80.

Thanks
Tim Tronson

Item 3 - File 99-1852

Note: This item was continued by the Finance and Labor Committee at its meeting of October 20, 1999.

Department: Airport Commission

Item: Resolution approving modifications to the Airline/Airport Lease and Use Agreements between the City and eight airlines to allow these airlines to relocate their international flight operations to the new International Terminal Building at the San Francisco International Airport.

Location: New International Terminal Building (ITB) at the Airport

Purposes of Lease Modifications: The proposed resolution would modify the existing Lease and Use Agreements with the eight airlines listed below. The existing Lease and Use Agreements were approved by the Board of Supervisors in 1981. The lease modifications would permit the Airport to:

(a) relocate the eight airlines' international flight operations to the new ITB from the current International Terminal, which will then be converted for domestic flights. The current International Terminal is referred to in this report as the Central Terminal Building (CTB);
(b) change certain types of airline rental space from exclusive use to joint use;
(c) employ procedures for reducing, relocating, and/or reallocating exclusive use space in certain circumstances;
(d) preserve the rights of the eight airlines with Lease and Use Agreements to exclusive use space approximately equal to the exclusive use space they will be relinquishing in the CTB when they move to the new ITB;
(e) terminate a lease if an airline voluntarily ceases its international flight operations at the Airport, contingent on Board of Supervisors approval of such lease terminations; and
(f) permit United Airlines to lease increased exclusive use space in the North Terminal Building.

Lessor: City and County of San Francisco by and through the Airport Commission.

Lessees: Alaska Airlines
China Airlines
Japan Airlines Co., LTD
Mexicana Airlines
Northwest Airlines
Philippine Airlines, Inc.
Singapore Airlines
United Airlines

Square Footage: There are three sets of space being leased: (1) 676,260 square feet of joint use space in the new ITB, (2) 93,594 square feet of exclusive use space in the new ITB, and (3) 451,492 square feet of United Airlines' exclusive use space in the North Terminal Building.

(1) Joint use space in the new ITB: According to Ms. Dorothy Schimke of the Airport, "joint use space" is airline rental space in a facility owned by the Airport which is leased to more than one airline for the shared use of all the airlines leasing that space. In the new ITB, 26 airlines will collectively lease 676,260 square feet of joint use space. These 26 airlines comprise (a) the eight airlines listed above, and (b) 18 other airlines. The Airport's proposal to enter into Lease and Operating Agreements with those 18 other airlines is the subject of a separate resolution (see Item 9, File 99-1853, of this report to the Finance and Labor Committee).

The 26 airlines will pay rent for this 676,260 square feet of joint use space in accordance with Airport rates and charges, as set out in the Lease and Use Agreements. This joint use space is divided into the rental categories shown in Attachment I, provided by the Airport.

Attachment I shows (a) an estimated 548,691 square foot, or approximately 430 percent, increase in the joint use space to be leased by the 26 airlines, from the current 127,569 square feet of joint use space in the CTB to the 676,260 square feet of joint use space in the new ITB, and (b) an estimated $18,946,802, or approximately 178 percent, increase in the rent to be paid by those 26

airlines, from an estimated $10,627,232 in FY 1999-2000 to an estimated $29,574,034 in FY 2000-2001.

As Alaska Airlines will only use the new ITB for international arrivals from Mexico, it will be a joint use space lessee for 360,818 square feet of the total 676,260 square feet of joint use space. Therefore Alaska Airlines will be a joint use lessee for just the baggage claim, Federal Inspection Service, and inbound baggage unloading areas, and any other joint use spaces directly related to international arrivals. The amount of 360,818 square feet represents approximately 53.4 percent of the total joint use space available.

(2) Exclusive use space in the new ITB: Exclusive use space in the new ITB can consist of (a) airline ticket, baggage service, ramp operations, and administrative offices, (b) VIP clubrooms, and/or (c) other support space. The eight airlines will rent the amounts of exclusive use space in the new ITB as set forth in Attachment II, provided by the Airport. Attachment II shows (a) an estimated 24,048 square foot, or approximately 34.6 percent, increase in the exclusive use space to be leased by the eight airlines, from the current 69,546 square feet of exclusive use space in the CTB to the 93,594 square feet of exclusive use space in the new ITB, and (b) an estimated $895,233, or approximately 16 percent, decrease in the rent to be paid by those eight airlines for their exclusive use space, from an estimated $5,600,856 in FY 1999-2000 to an estimated $4,705,623 in FY 2000-2001. According to Ms. Schimke, the rental rates are calculated on a cost recovery basis, as prescribed in the Lease and Use Agreement and explained in Attachment VI.

(3) United Airlines exclusive use space in the North Terminal Building: The modification to United Airlines' Lease and Use Agreement will also cover an increase of 116,939 square feet, or approximately 35 percent, in the exclusive use space leased by United Airlines in the North Terminal Building, from 334,553 square feet to 451,492 square feet. This 35 percent increase in exclusive use space is to provide adequate space for United Airlines' new automated baggage system

for its domestic flight operations at the North Terminal Building (see Comment No. 8 below). The additional space is primarily Category IV baggage handling areas which United Airlines has taken over incrementally as it installed its new baggage system. According to Ms. Schimke, the Airport will be billing United Airlines for this additional space retroactively to July of 1999. As a result of this additional United Airlines rental space in the North Terminal Building, the Airport expects to realize from United Airlines additional rental revenue of $3,994,608 in FY 1999-2000, and $2,365,967 in FY 2000-2001.

Annual Airline Lease Revenue:

The Airport estimates that it will realize $37,161,803 in airline lease revenue in FY 2000-2001 from the new ITB's total airline rental space from all of the 26 airlines. Of this amount, the Airport will realize an estimated $29,574,034, or approximately 79.6 percent, from the 676,260 square feet of joint use space leased to all 26 airlines with international flight operations, as shown in Attachment I. Of the estimated balance of $7,587,769, or approximately 20.4 percent, which the Airport estimates that it will realize from rental of exclusive use space, an estimated $4,705,623 will be paid by the eight airlines with Lease and Use Agreements (as shown in Attachment II), and an estimated $2,882,146 will be paid by the 18 airlines with Lease and Operating Agreements (as shown in Attachment II of Item 9, File 99-1853, in this report to the Finance and Labor Committee).

The table below compares the estimated FY 2000-2001 airline lease revenues from the new ITB with the estimated airline lease revenues from the CTB in FY 1999-2000. Overall, the Airport anticipates a $19,082,405, or 106 percent, increase in airline lease revenues in FY 2000-2001 from the 26 airlines which have international flight operations at the Airport. (This table covers Items 8 and 9, Files 99-1852 and 99-1853, of this report to the Finance and Labor Committee.)

	CTB Square Feet	Estimated ITB Square Feet	Estimated % Difference in Square Feet	Estimated FY 1999-2000 Lease Revenue	Estimated FY 2000-2001 Lease Revenue	Estimated % Difference in Lease Revenue
Joint Use Space	127,569	676,260	430.0%	$10,627,232	$29,574,034	178%
Lease & Use Agreement Exclusive Use Space	69,546	93,594	35%	5,600,856	4,705,623	(16%)
Lease & Operating Agreement Exclusive Use Space	21,284	55,126	159%	1,851,310	2,882,146	56%
TOTAL	218,399	824,980	278%	$18,079,398	$37,161,803	106%

The Airport also expects, as a result of the increase in the United Airlines exclusive use space in the North Terminal Building, to realize an additional $3,994,608 in airline lease revenue in FY 1999-2000, and $2,365,967 in FY 2000-2001 from United Airlines.

Approval of both Files 99-1852 and 99-1853 will result in total estimated airline lease revenues for the Airport of $37,161,803 from the new ITB in FY 2000-2001. This represents an estimated increase of $19,082,405 over the estimated airline lease revenues for the Airport of $18,079,398 from the CTB in FY 1999-2000. This increase comprises the estimated additional (a) $18,946,802 for joint use space in the new ITB, and (b) $1,030,836 for Lease and Operating Agreement airlines' exclusive use space in the new ITB (as described in Item 9, File 99-1853 of this report to the Finance and Labor Committee), offset by (c) a decrease of $895,233 in the revenues from Lease and Use Agreement airlines' exclusive use space in the new ITB. Furthermore, approval of File 99-1852 will result in additional airline lease revenue for the Airport of an estimated $2,365,967 in FY 2000-2001 from United Airlines' increased exclusive use space in the North Terminal Building. The Airport therefore estimates that it will receive additional airline lease revenues in the amount of $21,448,372 in FY 2000-2001.

BOARD OF SUPERVISORS
BUDGET ANALYST

Term of Modified Leases: Each of the proposed modifications to the Lease and Use Agreements between the City and the eight airlines will take effect upon full execution by the parties and final approval by the Board of Supervisors. All eight Lease and Use Agreements terminate on June 30, 2011.

Right of Renewal: None.

Maintenance and Operations: The respective responsibilities of the City and the eight airlines for maintenance and operations are contained in Attachment IV, provided by the Airport. Ms. Schimke states that the Airport's airline rental space rates are designed to cover all of the Airport's maintenance and operations overhead costs which are not covered by revenue from the Airport's concessions or other non-airline revenues.

Comments:

1. As part of the Airport's Master Plan Expansion Program, the Airport is constructing a new ITB which is scheduled for completion in May of 2000. All international flight operations currently conducted by the 26 airlines in the CTB, including those of the eight airlines under this subject resolution, will be relocated to the new ITB, allowing the CTB to be used as a third domestic terminal, according to Mr. Gary Franzella of the Airport. Mr. Franzella states that the reassignment of the CTB as a third terminal for domestic flight operations and the opening of the new ITB as a fourth terminal will enable the Airport to increase the total number of passengers that the Airport can handle from an estimated 40 million in 1999, to an estimated 51 million in 2006, an increase of 27.5 percent.

2. Of the 26 airlines which will relocate their international flight operations to the new ITB, eight airlines, which are the subject of this resolution, have existing Lease and Use Agreements, effective July 1, 1981. These Lease and Use Agreements were previously approved by the Board of Supervisors. They are due to expire on June 30, 2011. Proposed modifications to these

eight Lease and Use Agreements are the subject of this resolution.

3. Of the 26 airlines which will relocate their international flight operations to the new ITB, 18 airlines are the subject of Item 9, File 99-1853, of this October 13 report to the Finance and Labor Committee.

4. According to Mr. Franzella, in negotiating the proposed modifications to the Lease and Use Agreements, the Airport had the following objectives:

(a) To relocate the eight airlines' international flight operations from the CTB to the new ITB;
(b) To apply a joint use approach to as much space in the new ITB as possible, to maintain flexibility to address changes in the airline industry and accommodate increased international traffic demands;
(c) To provide a mechanism for reducing, relocating, and/or reallocating exclusive use space, as described in Attachment III, provided by the Airport;
(d) To preserve the rights of the eight airlines with Lease and Use Agreements to exclusive use space approximately equal to the exclusive use space they will be relinquishing in the CTB when they move to the new ITB. The replacement exclusive use space will be designated as "Entitlement Space" which may only be reduced or relocated through mutual agreement or the Airport's Right of Reaccess, as described in Attachment III;
(e) To designate any exclusive use space under an airline's Lease and Use Agreement that is in excess of (i) the exclusive use space relinquished by that airline in the CTB, and (ii) VIP clubroom space, as "Non-Entitlement Space", which could be reduced, relocated, and/or reallocated in accordance with the reallocation procedures described in Attachment III;
(f) To be able to terminate an airline's lease if the lessee voluntarily ceases international flight operations at the Airport, contingent on Board of Supervisors approval of such lease terminations; and
(g) To permit United Airlines to make changes to its exclusive use space in the North Terminal Building to

accommodate expansion and modernization of its baggage system and other operating space.

5. Under the proposed resolution, the Airport would be authorized to modify the allocation of exclusive use space in the new ITB without further approval from the Board of Supervisors, as long as the modifications are consistent with the provisions contained in Attachment III. All other modifications to airlines' allocations of exclusive use space would require Board of Supervisors approval.

6. Under the existing Lease and Use Agreements with the subject eight airlines, joint use space includes only gate hold-rooms, baggage handling and baggage claim areas, and Federal Inspection Service areas. The joint use space approach is being expanded in the new ITB. According to Mr. Franzella, all of the new ITB's 168 ticket counters will be designated as joint use spaces, compared with only eight of the 111 ticket counters currently designated as joint use space in the CTB. The remaining 103 CTB ticket counters are exclusive use spaces under the existing Lease and Use Agreements. Mr. Franzella also states that all 24 gate hold-rooms in the new ITB will be designated as joint use spaces, whereas in the CTB United Airlines has exclusive use space rights over five of the CTB's ten gate hold-rooms.

7. As explained in Attachment V, provided by the Airport, scheduling of joint use space in the new ITB will be managed, under the Airport's oversight, by SFO Terminal Equipment Company, LLC (SFOTEC), a company to be formed by the 26 airlines.

8. United Airlines' Lease and Use Agreement also provides for a modification in relation to United Airlines' leasing of exclusive use space in the North Terminal Building space. This is primarily the result of United Airlines' installation of a new automated baggage system under certain North Terminal Building gates, in spaces that had not been previously leased to any airline. The space is now primarily designated as Category IV baggage handling areas. As a result of this additional United Airlines rental space in the North Terminal Building, the Airport expects to realize from United Airlines an

additional $3,994,608 in airline lease revenues in FY 1999-2000, and $2,365,967 in FY 2000-2001.

9. Execution copies of the proposed modifications to the Lease and Use Agreements were sent to the airlines on September 2, 1999. Final approval is contingent on the Human Rights Commission's determination of each airline's compliance with, or exemption from, the requirements of San Francisco's Equal Benefits Ordinance. Ms. Schimke advises that all eight airlines are currently in various stages of obtaining certification of their compliance with, or exemption from, that ordinance's requirements, and that the Airport anticipates that all eight will comply.

10. According to Mr. Franzella, a phased occupancy of the subject space is commencing on November 1, 1999 at which time United Airlines will be able to begin tenant improvements of its exclusive use spaces in the new ITB. All the other airlines which have exclusive use spaces will be able to commence their tenant improvements no later than January 1, 2000. As previously noted, the new ITB is scheduled to open in May of 2000. While the lessees are not required to make a minimum investment per square foot in the tenant improvement construction of their exclusive use spaces, they are required to meet the requirements of the relevant construction codes. Northwest Airlines and United Airlines will construct their own tenant improvements. China Airlines and Singapore Airlines will construct their VIP clubrooms. All other tenant improvements for Lease and Use Agreement airlines will be performed under a consolidated contract awarded by the Airport's Airline Liaison Office in order to minimize potential coordination problems. Construction of all joint use space will be the responsibility of the Airport.

11. The airlines' payment of rents for the new ITB space will commence on the date the new ITB is open and operational, as determined by the Airport Director. On that date, the airlines' rental payments for the CTB cease. Under the proposed modifications to their Lease and Use Agreements, the eight airlines will have up to 90 days after they begin paying rent for their new ITB space to

remove their equipment from their exclusive use space in the CTB.

12. All lessees will pay rent for their new ITB space in accordance with the Airport's rates and charges for airline rental space. These are determined annually by the Airport using the rates and charges methodology prescribed in the Lease and Use Agreements, as previously approved by the Board of Supervisors, and contained in Attachment VI, provided by the Airport. The division between the airlines of the rent payable for the new ITB's joint use space will be determined on the basis of a "Joint Use Formula" as explained in Attachment VII, provided by the Airport.

13. In summary, the Airport estimates that approval of both Files 99-1852 and 99-1853 will result in total estimated airline lease revenues for the Airport of $37,161,803 from the new ITB in FY 2000-2001, an increase of $19,082,405 over the estimated airline lease revenues for the Airport of $18,079,398 from the CTB in FY 1999-2000. Furthermore, approval of File 99-1852 will result in additional airline lease revenue for the Airport of an estimated $2,365,967 in FY 2000-2001 from United Airlines' increased exclusive use space in the North Terminal Building. The Airport therefore estimates that it will receive additional airline lease revenues in the amount of $21,448,372 in FY 2000-2001.

Recommendation: Approve the proposed resolution, contingent on the airlines' compliance with the City's Equal Benefits Ordinance.

Lease and Use Agreements: Comparison of Joint Use Space

	CTB @ FY 1999-2000		ITB *Estimated @ FY 2000/2001		FY 99/00 with FY 00-01	
Categories of Joint Use Space	Total Sq. Feet	Total Estimated Dollars	Total Estimated Sq. Feet	Total Estimated Dollars	Sq. Feet: % Difference	Total Estimated Dollars: % Difference
Category I - Gate holdroom and ticket counters	36,876	$4,492,234	152,892	$11,170,290	315%	149%
Category II - Baggage claim; Federal Inspection Service; other joint use areas, 3rd floor and above; 1st floor passenger access	54,682	$4,996,294	236,767	$12,974,832	333%	160%
Category III - Other enclosed joint use areas, 2nd floor and below	1,373	$83,629	11,687	$426,926	751%	410%
Category IV - Baggage handling areas	34,638	$1,055,073	273,026	$4,988,185	688%	373%
Category V - Other enclosed space	0	$0	1,888	$13,801	N/A	N/A
TOTAL	**127,569**	**$10,627,232**	**676,260**	**$29,574,034**	**430%**	**178%**

Please note: Joint use space is collectively leased by the 26 airlines with international flight operations at the Airport. Currently, it is not possible to break the above revenue information down into (a) the eight airlines with Lease and Use Agreements, and (b) the 18 airlines which will sign Lease and Operating Agreements because the Airport is not yet able to make the calculations laid out in the "Joint Use Formula" for FY 2000-2001.

* FY 2000/2001 rates were estimated based on best information available in June 1999. Actual rates will be calculated in June 2000 and may vary significantly due to changing conditions.

Attachment I

10/6/99

Lease and Use Agreements: Comparison of Exclusive Space

AIRLINE	CTB @FY 99/00 Rates		IBT *Estimated @ FY 00/01		Comparison: FY 99/00 with FY 00/01	
	Total sq.ft.	Total Dollars	Total sq.ft.	Total Dollars	Difference sq. ft.	Difference Revenue
Alaska Airlines	627	$70,413	0	$0	N/A	N/A
China Airlines	3,152	$290,430	5,023	$264,773	59.4%	-8.8%
Japan Airlines	13,477	$1,073,941	9,809	$521,291	-27.2%	-51.5%
Mexicana Airlines	4,019	$352,590	3,363	$163,136	-16.3%	-53.7%
Northwest Airlines	4,764	$421,787	8,789	$459,622	84.5%	9.0%
Philippine Airlines	4,462	$385,514	6,209	$329,401	39.2%	-14.6%
Singapore Airlines	5,523	$496,843	6,619	$351,978	19.8%	-29.2%
United Airlines	33,522	$2,509,338	53,782	$2,615,422	60.4%	4.2%
TOTAL	69,546	$5,600,856	93,594	$4,705,623	34.6%	-16.0%

* FY 2000/2001 rates were estimated based on best information available in June 1999. Actual rates will be calculated in June 2000 and may vary significantly due to changing conditions.

Airport Commission
City and County of San Francisco
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Mayor

Henry E. Berman
President
Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito

JOHN L. MARTIN
Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

REDUCTION, RELOCATON, AND/OR REALLOCATION OF EXCLUSIVE USE SPACE

A. When required by a significant shift in market share or to accommodate a new airline, the Airport can reduce, relocate, and/or reallocate exclusive use space in accordance with the procedures described below.

B. Airline Ticket Office (ATO) Procedures

- ATOs are the ticket counter support offices located on Floors 3 and 3M of the new ITB.
- ATO space may be reduced, relocated, and/or reallocated in conjunction with reallocation of ticket counter preferential use assignments, which are decided by SFOTEC, with Airport oversight, based on flight activity and new ITB Ticket Counter Management Protocols.
- A key objective of the new ITB Ticket Counter Management Protocols is to provide each airline with a regular check-in location, with the maximum number of positions desired (if available).
- Reduction, relocation, and/or reallocation of ATO space held by airlines under Lease and Use Agreements will occur only after the City has determined that (1) there is no unassigned ATO space on Floors 3 or 3M, (2) there is no ATO space that may be recovered for reassignment from airlines with space permits, (3) there is no ATO space that may be recovered for reassignment from airlines with Lease and Operating Agreements, and (4) the reduction, relocation, and/or reallocation of leased ATO space will not reduce any affected Lease and Use Agreement lessee's space below a minimum operating unit.

C. Airport's Right of Reaccess to Entitlement Space

- "Entitlement Space" refers to (a) that portion of new ITB exclusive use space which is approximately the size of an airline's existing exclusive use space in the CTB under a Lease and Use Agreement, except that VIP clubrooms are entirely entitlement space, whether they are larger than CTB VIP areas or not.
- The Airport may recover Entitlement Space through Right of Reaccess only when the relevant lessee's available international seats have decreased by more than 50 percent in a 12-month period versus the benchmark year of FY 1999-2000.
- The Airport may reaccess square footage in each exclusive use space category up to the percentage reduction, subject to minimum operating requirements.

- All VIP clubroom space held by the eight airlines is designated as Entitlement Space because of the cost of constructing VIP clubrooms. Such space requires 180 days notice to recover. All other Entitlement Space requires 90 days notice to recover.

D. Procedures for Non-Entitlement Space

- "Non-Entitlement Space" refers to all exclusive use space that is not "Entitlement Space".
- To reduce or relocate Non-Entitlement Space, the Airport shall develop and present a plan and accompanying rationale to SFOTEC and the impacted airline(s). Airlines have a 30 day period
- At the end of the 30 day comment period, the Airport shall deliver a notice to the airline(s) required to reduce or relocate space in accordance with the plan, noting that the plan may have been modified during the review process.
- Non-Entitlement Space requires 90 days notice to recover.

E. Buyout Provisions

- When pursuant to these provisions, reduction or relocation of both Entitlement and Non-Entitlement Space is subject to buyout by the Airport of the value of the improvements amortized on a straight-line basis over the remaining term of the Lease and Use Agreement. If, however, exclusive use space is voluntarily surrendered by an airline, then the Airport is not obligated to offer buyout compensation.

ITB MAINTENANCE AND OPERATIONS RESPONSIBILITIES

Key: A – Airline/ C – City/ T Non-Airline Tenants

	TERMINAL BUILDINGS					LANDING AREAS			
	Leased Space - Full Public Exposure[1]	Leased Space - Unexposed[2]	Airline Leasable Vacant	FIS Space	Public Space	Runways	Taxiways	Parking Ramps	Cart Roads
HVAC -- Central Heating and Cooling to Premises	C	C	C	C	C	---	---	---	---
-- Heating of Premises	C	A	C	C	C	---	---	---	---
-- Cooling of Premises	C	A	C	C	C	---	---	---	---
Water and Sewerage	---	A[3]	C	C	C	---	---	---	---
Power Supply to Premises[4]	C	C	C	C	C	C	C	C	C
Lighting[5]	C	A	C	C	C	C	C	C	C
Cleaning[6]	C	A	C	C	C	C	C	A	C
Trash Removal	C	A	C	C	C	C	C	A	C
Window Washing - Interior	C	A	C	C	C	---	---	---	---
- Exterior	C	C	C	C	C	---	---	---	---
Decorative/Maintenance/ Replacement/Repair - Walls, Doors, Furniture, Fixture, Windows, Ceilings, Carpets, Floors	C	A	C	C	C	---	---	---	---
Plumbing and Fixtures	---	A	C	C	C	---	---	---	---
Building - Structural	C	C	C	C	C	---	---	---	---
- Interior	C	A	C	C	C	---	---	---	---
- Exterior	C	C	C	C	C	---	---	---	---
Paving – Repair and Replacement	C	C	C	C	C	C	C	C	C
Baggage - Claim Devices	A	A	---	A	---	---	---	---	---
- Conveyors	A	A	---	A	---	---	---	A	---
Passenger Loading Bridges Maint.	A	A	---	---	---	---	---	A	---
Keys and Locks	C	A	C	T	C	---	---	---	---
Security Doors	C	C	C	C	C	---	---	---	---
Fuel Lines	---	---	---	---	---	---	A[7]	A[7]	A[7]
Other									
400HZ Power - Airlines									
Preconditioned Air - City responsible through the building and loading bridges. Airlines responsible for all hoses from loading bridges to aircraft.									

[1]Includes Ticket Counters, Holdrooms, Baggage Claim Areas.
[2]Includes Offices, VIP Clubs/Lounges, Baggage Operations, Storage/Equipment Rooms.
[3]Airport will inspect and maintain potable water backflow devices.
[4]Usage of all power shall be estimated, or measured by meter. Meters to be installed at Lessee's expense.
[5]Lighting shall mean general illumination and shall include relamping and replacement of the Airport's standard starters, ballasts, switches and outlets but shall not include special airline installations or requirements.
[6]Includes passenger loading bridge interiors
[7]May be performed through SFO Fuel LLC

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Alan Gibson DATE: October 6, 1999

FROM: Dorothy Schimke, Senior Property Manager
Department of Aviation Management

SFO Terminal Equipment Company, LLC

The airlines that will operate at the new International Terminal Building (ITB) are forming a limited liability company, SFO Terminal Equipment Company, LLC (SFOTEC). The purpose of this company is to operate and maintain certain equipment and joint use space in the ITB and to schedule the usage of such joint use equipment and space among airline members and non-member users.

(1) Operation and Maintenance of Equipment

Maintenance of certain operating equipment and systems owned by the Airport will be the responsibility of SFOTEC. This equipment includes but is not limited to passenger loading bridges, the baggage system, the preconditioned air system, the 400 Hz ground power system, flight and baggage information display systems and common use telephones at gate podiums and ticket counters.

(2) Gate and Ticket Counter Scheduling

Gate scheduling: The scheduling of the new ITB's 24 joint use gates will be managed by SFOTEC, subject to Airport approval, to maximize the efficient use of those gates. Determination of gate usage policy and final resolution of conflicts will rest solely with the Airport Director.

Ticket counter assignment and management: The assignment of the new ITB's 168 joint use ticket counters will be managed by SFOTEC, subject to Airport approval, in accordance with Ticket Counter Management Protocols designed to maximize the efficient use of those ticket counters. Determination of ticket counter usage policy and final resolution of conflicts will rest solely with the Airport Director.

(3) Management Services

Tower operations: The ground movement of aircraft into and out of the new ITB, and within non-movement zones designated by the Airport, will be managed by SFOTEC.

Cleaning and Maintenance: SFOTEC will also manage janitorial services for non-public joint use areas, and ramp sweeping.

Accounting: SFOTEC will be responsible for allocating costs and distributing billings among the airline members and non-member users.

(4) Coordination and Oversight

An Oversight Committee, chaired by the Airport and including both airline and Airport representation, will be responsible for setting SFOTEC's missions, addressing issues of mutual concern to the Airport and the airlines, and reviewing SFOTEC's performance.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Alan Gibson DATE: October 6, 1999

FROM: Dorothy Schimke

Airport Rates and Charges

Background

In 1979 a number of airlines filed suit to litigate certain complaints against the City, including an allegation that Airport revenues were being unlawfully diverted to the City's General Fund. (Federal law prohibits the expenditure of airport revenues for non-airport purposes.) In early 1980 the City and the airlines that were parties to the suit entered into settlement negotiations that resulted in a detailed Settlement Agreement and an Airline-Airport Lease and Use Agreement ("the LU"). Provisions for a substantial restructuring of the financial operation of the Airport, including the methodology for calculating Airport Rates and Charges, were incorporated into the LU as part of the Settlement Agreement.

Calculation of Rates and Charges

In general, the airlines are obligated to pay terminal building rental rates and landing fees in amounts that, when included with all other Airport revenues, will be sufficient to cover all annual Airport costs. Rates are adjusted annually. Terminal rate adjustments are based on the average cost per square foot of providing, maintaining and operating the terminal building areas.

A simplified outline of the methodology for calculating Airport terminal rents is as follows:

1. **Expense Forecasting.** Airport forecasts its expenses, including both operating and capital expenses, for the upcoming fiscal year.
2. **Revenue Forecasting.** Airport forecasts its non-airline terminal revenues for the upcoming fiscal year.
   - Concession revenues
   - Rents from non-airline tenants
   - Other revenues (e.g., interest on unexpended capital funds)

3. **Annual Service Payment.** 15% of Concession revenues goes to City's general fund as compensation for indirect services to the Airport.
4. **Calculation.**
   - Non-airline revenues (net of Annual Service Payment) are set off against projected expenses.
   - Remainder (expenses that are not covered by non-airline revenues) is divided by the total square feet of terminal space rented by airlines to determine average rent per square foot, which is then apportioned into five rate categories.
   - The higher the number of square feet rented to airlines, the lower the effective rental rate required to recover the terminal costs.

Attachment VII

Airport Commission
City and County of San Francisco
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Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN
Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

JOINT USE FORMULA FOR THE NEW ITB

The total charges for each room comprising joint use space shall be divided among the airlines using the new ITB according to the following formula:

- Twenty percent of each joint space shall be divided equally among all airlines using that joint use space. Since Alaska Airlines will use only 53.4 percent of the joint use spaces, it will pay 1/26th of the 20 percent payment for those spaces. For all other joint use spaces, the remaining 25 airlines will pay 1/25th each. These proportions will change as individual airlines start or cease international flight operations at the new ITB.

- Eighty percent shall be divided as follows. Each airline using the joint use space pays that proportion which the number of its passengers enplaning and/or deplaning at the new ITB bears to the total number of passengers enplaning and/or deplaning at the new ITB. The proportions for each type of joint use space are calculated on the following bases:

Category	Type of Space	Type of Passenger
I	Ticket counter/gate holdroom	new ITB enplaned passengers
II	Baggage claim /Federal Inspection Service	new ITB deplaned passengers
II	Other 3rd floor and above, and 1st floor passenger access	new ITB total enplaned and deplaned passengers
III	Other enclosed, 2nd and below	new ITB total enplaned and deplaned passengers
IV	Inbound baggage handling	new ITB deplaned passengers
IV	Outbound baggage handling	new ITB enplaned passengers
V	Other unenclosed	new ITB total enplaned and deplaned passengers

- If for any reason the number of passengers enplaning and/or deplaning at the new ITB in the prior fiscal year for any of the airlines using the joint use space constitute an inappropriate basis for forecasting that airline's passenger volume for the year in which the charges are levied, the City can make appropriate adjustments in order to equitably apportion the total costs among all of the airlines using such joint use space.

Item 4 - File 99-1853

Note: This item was continued by the Finance and Labor Committee at its meeting of October 20, 1999.

Department: Airport Commission

Item: Resolution approving the terms of new Lease and Operating Agreements between the City and 18 airlines to allow these airlines to relocate their international flight operations to the new International Terminal Building at the San Francisco International Airport.

Location: New International Terminal Building (ITB) at the Airport

Purpose of Leases: The proposed new Lease and Operating Agreements with the 18 airlines listed below would permit the Airport to:

(a) relocate the 18 airlines' international flight operations to the new ITB from the current International Terminal, which will then be converted for domestic flights. The current International Terminal is referred to in this report as the Central Terminal Building (CTB);
(b) change certain types of airline rental space from exclusive use to joint use;
(c) employ procedures for reducing, relocating, and/or reallocating exclusive use space in certain circumstances; and
(d) terminate a lease if an airline voluntarily ceases its international flight operations at the Airport, contingent on Board of Supervisors approval of such lease terminations.

Lessor: City and County of San Francisco by and through the Airport Commission.

Lessees: Aeroflot Russian International Airlines
Air China
Air France
Alitalia Airlines
Asiana Airlines
All Nippon Airways
British Airways, PLC
Cathay Pacific Airways, LTD.
China Eastern Airlines
EVA Airways

Finnair
Korean Air
KLM Royal Dutch Airlines
Lineas Areas Costarricenses (LACSA), S.A.
Lufthansa German Airlines
Ryan International Airlines
Swissair Transport Co. LTD
Virgin Atlantic Airways

Square Footage: There are two sets of space being leased in the new ITB: (1) 676,260 square feet of joint use space, and (2) 55,126 square feet of exclusive use space.

(1) Joint use space in the new ITB: According to Ms. Dorothy Schimke of the Airport, "joint use space" is airline rental space in a facility owned by the Airport which is leased to more than one airline for the shared use of all the airlines leasing that space. In the new ITB, 26 airlines will collectively lease 676,260 square feet of joint use space. These 26 airlines comprise (a) the 18 airlines listed above, and (b) eight other airlines which operate under Lease and Use Agreements effective July 1, 1981. The Airport's proposal to modify its existing Lease and Use Agreements with those eight other airlines is the subject of a separate resolution (see Item 8, File 99-1852, of this report to the Finance and Labor Committee).

The 26 airlines will pay rent for this 676,260 square feet of joint use space in accordance with Airport rates and charges, as set out in the Lease and Operating Agreements. This joint use space is divided into the rental categories shown in Attachment I, provided by the Airport.

Attachment I shows (a) an estimated 548,691 square foot, or approximately 430 percent, increase in the joint use space to be leased by the 26 airlines, from the current 127,569 square feet of joint use space in the CTB to the 676,260 square feet of joint use space in the new ITB, and (b) an estimated $18,946,802, or approximately 178 percent, increase in the rent to be paid by those 26 airlines, from an estimated $10,627,232 in FY 1999-2000 to an estimated $29,574,034 in FY 2000-2001.

(2) Exclusive use space in the new ITB: Exclusive use space in the new ITB can consist of (a) airline ticket, baggage service, ramp operations, and administrative offices, (b) VIP clubrooms, and/or (c) other support space. The 18 airlines will lease the amounts of exclusive use space in the new ITB as set forth in Attachment II, provided by the Airport. Attachment II shows (a) an estimated 33,842 square foot, or approximately 159 percent, increase in the exclusive use space to be rented by the 18 airlines, from the current 21,284 square feet of exclusive use space in the CTB to the 55,126 square feet of exclusive use space in the new ITB, and (b) an estimated $1,030,836, or approximately 56 percent, increase in the rent to be paid by those 18 airlines for their exclusive use space, from an estimated $1,851,310 in FY 1999-2000 to an estimated $2,882,146 in FY 2000-2001.

Annual Rental Revenue:

The Airport estimates that it will realize $37,161,803 in airline lease revenue in FY 2000-2001 from the new ITB's total airline rental space. Of this amount, the Airport will realize an estimated $29,574,034, or approximately 79.6 percent, from the 676,260 square feet of joint use space leased to all 26 airlines with international flight operations, as shown in Attachment I. Of the estimated balance of $7,587,769, or approximately 20.4 percent, which the Airport estimates that it will collect from rental of exclusive use space, an estimated $2,882,146 will be paid by the 18 airlines with Lease and Operating Agreements (as shown in Attachment II), and an estimated $4,705,623 will be paid by the eight airlines with Lease and Use Agreements (as shown in Attachment II of Item 8, File 99-1852, in this report to the Finance and Labor Committee).

The table below compares the estimated FY 2000-2001 airline lease revenues from the new ITB with the estimated airline lease revenues from the CTB in FY 1999-2000. Overall, the Airport anticipates a $19,082,405, or 106 percent, increase in airline lease revenues from the 26 airlines which have international flight operations at the Airport. (This table covers Items

8 and 9, Files 99-1852 and 99-1853, of this report to the Finance and Labor Committee.)

	CTB Square Feet	Estimated ITB Square Feet	Estimated % Difference in Square Feet	Estimated FY 1999-2000 Lease Revenue	Estimated FY 2000-2001 Lease Revenue	Estimated % Difference in Lease Revenue
Joint Use Space	127,569	676,260	430.0%	$10,627,232	$29,574,034	178%
Lease & Use Agreement Exclusive Use Space	69,546	93,594	35%	5,600,856	4,705,623	(16%)
Lease & Operating Agreement Exclusive Use Space	21,284	55,126	159%	1,851,310	2,882,146	56%
TOTAL	218,399	824,980	278%	$18,079,398	$37,161,803	106%

Approval of both Files 99-1852 and 99-1853 will result in total estimated airline lease revenues for the Airport of $37,161,803 from the new ITB in FY 2000-2001. This represents an estimated increase of $19,082,405 over the estimated airline lease revenues for the Airport of $18,079,398 from the CTB in FY 1999-2000. This increase comprises the estimated additional (a) $18,946,802 for joint use space in the new ITB, and (b) $1,030,836 for Lease and Operating Agreement airlines' exclusive use space in the new ITB, offset by (c) a decrease of $895,233 in the revenues from Lease and Use Agreement airlines' exclusive use space in the new ITB (as described in Item 8, File 99-1852, of this report to the Finance and Labor Committee).

Term of Lease and Operating Agreements:

Each of the proposed Lease and Operating Agreements will take effect upon full execution by the parties and final approval by the Board of Supervisors. All 18 Lease and Operating Agreements terminate on June 30, 2011, which is coterminous with the eight Lease and Use Agreements which are the subject of Item 8, File 99-1852, of this report to the Finance and Labor Committee.

Right of Renewal: None.

Maintenance and Operations: The respective responsibilities of the City and the 18 airlines for maintenance and operations are contained in Attachment IV, provided by the Airport. Ms. Schimke states that the Airport's airline rental space rates are designed to cover all of the Airport's maintenance and operations overhead costs which are not covered by revenue from the Airport's concessions or other non-airline revenues.

Comments:

1. As part of the Airport's Master Plan Expansion Program, the Airport is constructing a new ITB which is scheduled for completion in May of 2000. All international flight operations currently conducted by the 26 airlines in the CTB, including those of the 18 airlines under this subject resolution, will be relocated to the new ITB, allowing the CTB to be used as a third domestic terminal, according to Mr. Gary Franzella of the Airport. Mr. Franzella states that the reassignment of the CTB as a third terminal for domestic flight operations and the opening of the new ITB as a fourth terminal will enable the Airport to increase the total number of passengers the Airport can handle from an estimated 40 million in 1999, to an estimated 51 million in 2006, an increase of 27.5 percent.

2. Of the 26 airlines which will relocate their international flight operations to the new ITB, 18 airlines, which are the subject of this resolution, are expected to sign new Lease and Operating Agreements with the City. According to Ms. Schimke, none of the 18 subject airlines currently have leases equivalent to the Lease and Operating Agreements proposed by this resolution. Whereas most airlines that were tenants of the Airport in 1981 signed Lease and Use Agreements with the Airport, thereby controlling most of the available exclusive use airline rental space, airlines that became tenants subsequently were obliged to make other arrangements. As a result, the 18 subject airlines either (a) obtained month-to-month permits for the small amounts of space not originally leased under Lease and Use Agreement, or

for space which has subsequently been surrendered by airlines with Lease and Use Agreements, (b) subleased from Lease and Use Agreement airlines, or (c) entered into "handling agreements" pursuant to alliances, code-shares, or similar marketing or ground handling agreements, with airlines which have space under either Lease and Use Agreements or space permits. Ms. Schimke states that such subleases, handling agreements, or space permits were not subject to Board of Supervisors approval because only leases in excess of ten years and/or $1,000,000 in value are subject to Board of Supervisors approval.

According to Ms. Schimke, under the proposed resolution, the new Lease and Operating Agreements would benefit the Airport because: (a) they put the Airport into a direct relationship with the airlines, rather than an indirect relationship as is currently the case with airlines that have subleases or handling agreements; (b) they provide the Airport with direct control over space allocation, both in the initial assignment of space and through the reallocation procedures described in Attachment III; and (c) they assure the Airport of the airlines' longterm commitment to the Airport. Ms. Schimke also states that the proposed Lease and Operating Agreements would benefit the 18 airlines as follows: (a) they give the airlines a term of years, which ends June 30, 2011, over which to amortize their tenant improvements; and (b) they provide parity among airlines at the Airport by, for example, giving the airlines voting rights on airline organizations advisory to the Airport.

If any of the 18 airlines choose not to sign their proposed Lease and Operating Agreements, they will need to sign a month-to-month space permit instead. The same rates and charges will apply whether airlines choose to sign their Lease and Operating Agreements, or month-to-month space permits. Such monthly space permits would not be subject to Board of Supervisors approval unless they exceeded $1,000,000 in value.

3. Of the 26 airlines which will relocate their international flight operations to the new ITB, eight airlines are the subject of Item 8, File 99-1852, of this

report to the Finance and Labor Committee. According to Ms. Schimke, the 18 proposed Lease and Operating Agreements will be similar to the Lease and Use Agreements, as modified, for the eight airlines under File 99-1852, except they will not have the Entitlement Space provisions of Lease and Use Agreements.

4. Under the proposed resolution, the Airport would be authorized to modify the allocation of exclusive use space in the new ITB without further approval from the Board of Supervisors, as long as the modifications are consistent with the provisions contained in Attachment III. All other modifications to airlines' allocations of exclusive use space would require Board of Supervisors approval.

5. Under the proposed resolution, the Airport could terminate an airline's lease if that airline voluntarily ceased international flight operations at the Airport, subject to Board of Supervisors approval of that lease termination.

6. Under the existing CBT space allocations, joint use space includes only gate hold-rooms, baggage handling and baggage claim areas, and Federal Inspection Service areas. The joint use space approach is being expanded in the new ITB. According to Mr. Franzella, all of the new ITB's 168 ticket counters will be designated as joint use spaces, compared with only eight of the 111 ticket counters currently designated as joint use space in the CTB. The remaining 103 CTB ticket counters are exclusive use spaces under the existing Lease and Use Agreements. Mr. Franzella also states that all 24 gate hold-rooms in the new ITB will be designated as joint use spaces, whereas in the CTB United Airlines has exclusive use space rights over five of the CTB's ten gate hold-rooms.

7. As explained in Attachment V, provided by the Airport, scheduling of joint use space in the new ITB will be managed, under the Airport's oversight, by the airline consortium, SFO Terminal Equipment Company, LLC (SFOTEC), a company to be formed by the 26 airlines.

8. Execution copies of the proposed Lease and Operating Agreements were sent to the airlines on September 2, 1999. Final approval is contingent on the Human Rights Commission's determination of each airline's compliance with, or exemption from, the requirements of San Francisco's Equal Benefits Ordinance. Ms. Schimke advises that the 18 airlines are currently in various stages of obtaining certification of their compliance with, or exemption from, that ordinance's requirements, and that the Airport anticipates that all 18 will comply.

9. According to Mr. Franzella, a phased occupancy of the subject space will permit all airlines which have exclusive use spaces to commence tenant improvements of those spaces no later than January 1, 2000. As previously noted, the new ITB is scheduled to open in May of 2000. While the lessees are not required to make a minimum investment per square foot in the tenant improvement construction of their exclusive use spaces, they are required to meet the requirements of the relevant construction codes. Construction of all exclusive use spaces for Lease and Operating Agreement airlines will be performed under a consolidated contract awarded by the Airport's Airline Liaison Office in order to minimize potential coordination problems. The exception will be the VIP clubrooms being constructed by contractors individually hired by Air France, British Airways, EVA Airways, Korean Air, Lufthansa German Airlines, and Virgin Atlantic Airways. Construction of all joint use space will be the responsibility of the Airport.

9. The airlines' payment of rents for the new ITB space will commence on the date the new ITB is open and operational, as determined by the Airport Director. On that date, the airlines' rental payments for the CTB cease. The 18 airlines will be expected to surrender their space in the CTB immediately.

10. All lessees will pay rent for their new ITB space in accordance with the Airport's rates and charges for airline rental space. These are determined annually by the Airport using the rates and charges methodology prescribed in the Lease and Operating Agreements, and contained in Attachment VI, provided by the Airport. The

division between the airlines of the rent payable for the new ITB's joint use space will be determined on the basis of a "Joint Use Formula" as explained in Attachment VII, provided by the Airport.

11. In summary, the Airport estimates that approval of both Files 99-1852 and 99-1853 will result in total estimated airline lease revenues for the Airport of $37,161,803 from the new ITB in FY 2000-2001, an increase of $19,082,405 over the estimated airline lease revenues for the Airport of $18,079,398 from the CTB in FY 1999-2000.

Recommendation: Approve the proposed resolution, contingent on the 18 airlines' compliance with the City's Equal Benefits Ordinance.

Lease and Use Agreements: Comparison of Joint Use Space

Categories of Joint Use Space	CTB @ FY 1999-2000		ITB *Estimated @ FY 2000/2001		FY 99/00 with FY 00-01	
	Total Sq. Feet	Total Estimated Dollars	Total Estimated Sq. Feet	Total Estimated Dollars	Sq. Feet: % Difference	Total Estimated Dollars: % Difference
Category I - Gate holdroom and ticket counters	36,876	$4,492,234	152,892	$11,170,290	315%	149%
Category II - Baggage claim; Federal Inspection Service; other joint use areas, 3rd floor and above; 1st floor passenger access	54,682	$4,996,294	236,767	$12,974,832	333%	160%
Category III - Other enclosed joint use areas, 2nd floor and below	1,373	$83,629	11,687	$426,926	751%	410%
Category IV - Baggage handling areas	34,638	$1,055,073	273,026	$4,988,185	688%	373%
Category V - Other enclosed space	0	$0	1,888	$13,801	N/A	N/A
TOTAL	127,569	$10,627,232	676,260	$29,574,034	430%	178%

Please note: Joint use space is collectively leased by the 26 airlines with international flight operations at the Airport. Currently, it is not possible to break the above revenue information down into (a) the eight airlines with Lease and Use Agreements, and (b) the 18 airlines which will sign Lease and Operating Agreements because the Airport is not yet able to make the calculations laid out in the "Joint Use Formula" for FY 2000-2001.

* FY 2000/2001 rates were estimated based on best information available in June 1999. Actual rates will be calculated in June 2000 and may vary significantly due to changing conditions.

Lease and Operating Agreements: Comparison of Exclusive Use Space

	CTB @FY 99/00 Rates		IBT *Estimated @ FY 00/01		Comparison: FY 99/00 with FY 00/01	
AIRLINE	Total sq. ft.	Total Dollars	Total sq. ft.	Total Dollars	Difference sq. ft.	Difference Revenue
Aeroflot	0	$0	1,188	$58,361	N/A	N/A
Air China	0	$0	1,325	$55,875	N/A	N/A
Air France	1,507	$118,623	5,210	$275,697	245.7%	132%
Alitalia	0	$0	1,459	$71,476	N/A	N/A
All Nippon Airways	0	$0	1,777	$97,380	N/A	N/A
Asiana Airlines	1,780	$173,052	2,038	$111,682	14.5%	-35%
British Airways	9,212	$815,891	12,009	$635,511	30.4%	-22%
Cathay Pacific	0	$0	1,960	$91,769	N/A	N/A
China Eastern Air	251	$15,288	821	$41,063	N/A	N/A
EVA Air	375	$33,715	6,495	$334,313	1632.0%	892%
Finnair	0	$0	0	$0	N/A	N/A
KLM Royal Dutch Airlines	400	$36,548	0	$0	-100.0%	N/A
Korean Air	568	$51,350	3,212	$168,326	N/A	228%
Lacsa	0	$0	1,317	$72,172	N/A	N/A
Lufthansa	5,490	$467,810	5,807	$306,604	5.8%	-34.5%
Ryan International Airlines	608	$37,033	2,407	$125,747	N/A	239.6%
Swissair	0	$0	1,248	$68,390	N/A	N/A
Virgin Atlantic Airways	1,093	$101,999	6,853	$367,780	527.0%	260.6%
TOTAL	**21,284**	**$1,851,310**	**55,126**	**$2,882,146**	**159.0%**	**55.7%**

* FY 2000/2001 rates were estimated based on best information available in June 1999. Actual rates will be calculated in June 2000 and may vary significantly due to changing conditions.

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Attachment II

10/6/99

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr.
Mayor

Henry E. Berman
President
Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito

JOHN L. MARTIN
Airport Director

San Francisco International Airport
GATEWAY TO THE PACIFIC

REDUCTION, RELOCATON, AND/OR REALLOCATION OF EXCLUSIVE USE SPACE

A. When required by a significant shift in market share or to accommodate a new airline, the Airport can reduce, relocate, and/or reallocate exclusive use space in accordance with the procedures described below.

B. Airline Ticket Office (ATO) Procedures

- ATOs are the ticket counter support offices located on Floors 3 and 3M of the new ITB.
- ATO space may be reduced, relocated, and/or reallocated in conjunction with reallocation of ticket counter preferential use assignments, which are decided by SFOTEC, with Airport oversight, based on flight activity and new ITB Ticket Counter Management Protocols.
- A key objective of the new ITB Ticket Counter Management Protocols is to provide each airline with a regular check-in location, with the maximum number of positions desired (if available).
- Reduction, relocation, and/or reallocation of ATO space held by airlines under Lease and Use Agreements will occur only after the City has determined that (1) there is no unassigned ATO space on Floors 3 or 3M, (2) there is no ATO space that may be recovered for reassignment from airlines with space permits, and (3) the reduction, relocation, and/or reallocation of leased ATO space will not reduce any affected Lease and Use Agreement lessee's space below a minimum operating unit.

C. Procedures for Non-Entitlement Space

- "Non-Entitlement Space" refers to all Exclusive use space with a Lease & Operation Agreement that is not "ATO Space".
- To reduce or relocate Non-Entitlement Space, the Airport shall develop and present a plan and accompanying rationale to SFOTEC and the impacted airline(s). Airlines have a 30 day period
- At the end of the 30 day comment period, the Airport shall deliver a notice to the airline(s) required to reduce or relocate space in accordance with the plan, noting that the plan may have been modified during the review process.
- Non-Entitlement Space requires 90 days notice to recover.

D. Buyout Provisions

- When pursuant to these provisions, reduction or relocation of both Entitlement and Non-Entitlement Space is subject to buyout by the Airport of the value of the improvements amortized on a straight-line basis over the remaining term of the Lease and Use Agreement. If, however, exclusive use space is voluntarily surrendered by an airline, then the Airport is not obligated to offer buyout compensation.

ITB MAINTENANCE AND OPERATIONS RESPONSIBILITIES

Key: A – Airline/ C – City/ T – Non-Airline Tenants

	TERMINAL BUILDINGS					LANDING AREAS			
	Leased Space - Full Public Exposure[1]	Leased Space - Unexposed[2]	Airline Leasable Vacant	FIS Space	Public Space	Runways	Taxiways	Parking Ramps	Cart Roads
HVAC -- Central Heating and Cooling to Premises	C	C	C	C	C	---	---	---	---
-- Heating of Premises	C	A	C	C	C	---	---	---	---
-- Cooling of Premises	C	A	C	C	C	---	---	---	---
Water and Sewerage	---	A[3]	C	C	C	---	---	---	---
Power Supply to Premises[4]	C	C	C	C	C	C	C	C	C
Lighting[5]	C	A	C	C	C	C	C	C	C
Cleaning[6]	C	A	C	C	C	C	C	A	C
Trash Removal	C	A	C	C	C	C	C	A	C
Window Washing - Interior	C	A	C	C	C	---	---	---	---
- Exterior	C	C	C	C	C	---	---	---	---
Decorative/Maintenance/ Replacement/Repair - Walls, Doors, Furniture, Fixture, Windows, Ceilings, Carpets, Floors	C	A	C	C	C	---	---	---	---
Plumbing and Fixtures	---	A	C	C	C	---	---	---	---
Building - Structural	C	C	C	C	C	---	---	---	---
- Interior	C	A	C	C	C	---	---	---	---
- Exterior	C	C	C	C	C	---	---	---	---
Paving – Repair and Replacement	C	C	C	C	C	C	C	C	C
Baggage - Claim Devices	A	A	---	A	---	---	---	---	---
- Conveyors	A	A	---	A	---	---	---	A	---
Passenger Loading Bridges Maint.	A	A	---	---	---	---	---	A	---
Keys and Locks	C	A	C	T	C	---	---	---	---
Security Doors	C	C	C	C	C	---	---	---	---
Fuel Lines	---	---	---	---	---	---	A[7]	A[7]	A[7]

Other

400HZ Power - Airlines

Preconditioned Air - City responsible through the building and loading bridges. Airlines responsible for all hoses from loading bridges to aircraft.

[1]Includes Ticket Counters, Holdrooms, Baggage Claim Areas.

[2]Includes Offices, VIP Clubs/Lounges, Baggage Operations, Storage/Equipment Rooms

[3]Airport will inspect and maintain potable water backflow devices.

[4]Usage of all power shall be estimated, or measured by meter. Meters to be installed at Lessee's expense.

[5]Lighting shall mean general illumination and shall include relamping and replacement of the Airport's standard starters, ballasts, switches and outlets but shall not include special airline installations or requirements

[6] Includes passenger loading bridge interiors

[7] May be performed through SFO Fuel LLC

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Alan Gibson **DATE:** October 6, 1999

FROM: Dorothy Schimke, Senior Property Manager
Department of Aviation Management

SFO Terminal Equipment Company, LLC

The airlines that will operate at the new International Terminal Building (ITB) are forming a limited liability company, SFO Terminal Equipment Company, LLC (SFOTEC). The purpose of this company is to operate and maintain certain equipment and joint use space in the ITB and to schedule the usage of such joint use equipment and space among airline members and non-member users.

(1) Operation and Maintenance of Equipment

Maintenance of certain operating equipment and systems owned by the Airport will be the responsibility of SFOTEC. This equipment includes but is not limited to passenger loading bridges, the baggage system, the preconditioned air system, the 400 Hz ground power system, flight and baggage information display systems and common use telephones at gate podiums and ticket counters.

(2) Gate and Ticket Counter Scheduling

Gate scheduling: The scheduling of the new ITB's 24 joint use gates will be managed by SFOTEC, subject to Airport approval, to maximize the efficient use of those gates. Determination of gate usage policy and final resolution of conflicts will rest solely with the Airport Director.

Ticket counter assignment and management: The assignment of the new ITB's 168 joint use ticket counters will be managed by SFOTEC, subject to Airport approval, in accordance with Ticket Counter Management Protocols designed to maximize the efficient use of those ticket counters. Determination of ticket counter usage policy and final resolution of conflicts will rest solely with the Airport Director.

(3) Management Services

Tower operations: The ground movement of aircraft into and out of the new ITB, and within non-movement zones designated by the Airport, will be managed by SFOTEC.

Cleaning and Maintenance: SFOTEC will also manage janitorial services for non-public joint use areas, and ramp sweeping.

Accounting: SFOTEC will be responsible for allocating costs and distributing billings among the airline members and non-member users.

(4) Coordination and Oversight

An Oversight Committee, chaired by the Airport and including both airline and Airport representation, will be responsible for setting SFOTEC's missions, addressing issues of mutual concern to the Airport and the airlines, and reviewing SFOTEC's performance.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Alan Gibson **DATE:** October 6, 1999

FROM: Dorothy Schimke

Airport Rates and Charges

Background

In 1979 a number of airlines filed suit to litigate certain complaints against the City, including an allegation that Airport revenues were being unlawfully diverted to the City's General Fund. (Federal law prohibits the expenditure of airport revenues for non-airport purposes.) In early 1980 the City and the airlines that were parties to the suit entered into settlement negotiations that resulted in a detailed Settlement Agreement and an Airline-Airport Lease and Use Agreement ("the LU"). Provisions for a substantial restructuring of the financial operation of the Airport, including the methodology for calculating Airport Rates and Charges, were incorporated into the LU as part of the Settlement Agreement.

Calculation of Rates and Charges

In general, the airlines are obligated to pay terminal building rental rates and landing fees in amounts that, when included with all other Airport revenues, will be sufficient to cover all annual Airport costs. Rates are adjusted annually. Terminal rate adjustments are based on the average cost per square foot of providing, maintaining and operating the terminal building areas.

A simplified outline of the methodology for calculating Airport terminal rents is as follows:

1. **Expense Forecasting.** Airport forecasts its expenses, including both operating and capital expenses, for the upcoming fiscal year.
2. **Revenue Forecasting.** Airport forecasts its non-airline terminal revenues for the upcoming fiscal year.
   - Concession revenues
   - Rents from non-airline tenants
   - Other revenues (e.g., interest on unexpended capital funds)

3. **Annual Service Payment.** 15% of Concession revenues goes to City's general fund as compensation for indirect services to the Airport.
4. **Calculation.**
   - Non-airline revenues (net of Annual Service Payment) are set off against projected expenses.
   - Remainder (expenses that are not covered by non-airline revenues) is divided by the total square feet of terminal space rented by airlines to determine average rent per square foot, which is then apportioned into five rate categories.
   - The higher the number of square feet rented to airlines, the lower the effective rental rate required to recover the terminal costs.

Attachment VII

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr. Mayor
Henry E. Berman President
Larry Mazzola Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

JOINT USE FORMULA FOR THE NEW ITB

The total charges for each room comprising joint use space shall be divided among the airlines using the new ITB according to the following formula:

- Twenty percent of each joint space shall be divided equally among all airlines using that joint use space. Since Alaska Airlines will use only 53.4 percent of the joint use spaces, it will pay 1/26th of the 20 percent payment for those spaces. For all other joint use spaces, the remaining 25 airlines will pay 1/25th each. These proportions will change as individual airlines start or cease international flight operations at the new ITB.

- Eighty percent shall be divided as follows. Each airline using the joint use space pays that proportion which the number of its passengers enplaning and/or deplaning at the new ITB bears to the total number of passengers enplaning and/or deplaning at the new ITB. The proportions for each type of joint use space are calculated on the following bases:

Category	Type of Space	Type of Passenger
I	Ticket counter/gate holdroom	new ITB enplaned passengers
II	Baggage claim /Federal Inspection Service	new ITB deplaned passengers
II	Other 3rd floor and above, and 1st floor passenger access	new ITB total enplaned and deplaned passengers
III	Other enclosed, 2nd and below	new ITB total enplaned and deplaned passengers
IV	Inbound baggage handling	new ITB deplaned passengers
IV	Outbound baggage handling	new ITB enplaned passengers
V	Other unenclosed	new ITB total enplaned and deplaned passengers

- If for any reason the number of passengers enplaning and/or deplaning at the new ITB in the prior fiscal year for any of the airlines using the joint use space constitute an inappropriate basis for forecasting that airline's passenger volume for the year in which the charges are levied, the City can make appropriate adjustments in order to equitably apportion the total costs among all of the airlines using such joint use space.

Item 5 - File 99-1811

Note: The Port has requested that this item be continued by the Finance and Labor Committee for one week.

Department: Port

Item: Resolution approving a Ground Lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building, located on the Embarcadero and Market Street, as a mixed-use project and approving a negative declaration.

Description: Charter Section 9.118 requires that the Board of Supervisors approve non-maritime leases of real property or contracts and agreements entered into by a City department extending for a period of ten years or more. The proposed resolution would approve a 66-year Ground Lease between the Port and Ferry Building Investors, a California Limited Liability Company (LLC), to renovate and restore the Ferry Building as an intermodal ferry terminal and mixed-use development.

The Ferry Building is owned and maintained by the Port, which includes three floors of primarily office space consisting of a total of 291,872 square feet. Within the Ferry Building, the Port currently occupies 41,934 square feet of office space, or approximately 14 percent, and leases the remaining 249,938 square feet of space to approximately 93 other tenants, including three long-term commercial tenants. The three long-term commercial tenants include (1) the World Trade Club, a private business club, which occupies 29,521 square feet of space, of which 25,863 square feet is under a long-term lease expiring in 2004 and 3,658 square feet is on a month-to-month lease, (2) Limbach & Limbach, a law firm, which occupies 35,434 square feet, including 20,197 square feet in a long-term lease expiring in 2006 and 15,237 square feet in a month-to-month lease, and (3) Amtrak, which occupies 4,100 square feet with a lease expiring in 2005.

All of the Port's approximately 90 other tenants in the Ferry Building have month-to-month leases or leases

which expire by the Fall of 2000. According to Mr. Paul Osmundson of the Port, most of the Ferry Building tenants have month-to-month leases, including the three long-term tenants who have month-to-month leases for a portion of their space because the Port has been in the predevelopment stage for the proposed renovation of the Ferry Building for over five years. Therefore, the Port limited the number of tenants with long-term leases in order to maximize the flexibility for future development of the Ferry Building, Mr. Osmundson advises.

The proposed development of the Ferry Building would consist of approximately 40,000 square feet of ground level commercial retail space, including fresh and prepared food markets and approximately 20,000 square feet for four restaurants. The ground level, with a total of 105,000 square feet, will also contain Ferry passenger services, including ticketing booths, sheltered covered areas and a Central Concourse with major passageways connecting Market Street to the Bay, as well as loading and serving areas.

The second and third floors will contain a total of approximately 164,000 square feet of space, including approximately 150,000 square feet of market rate office space of which approximately 2,500 square feet will be used for the Port Commission's hearing room and 500 square feet will be used for ancillary Port office space. The remaining approximately 14,000 square feet of space(164,000 less 150,000) would be interior public space. Overall, the new Ferry Building would contain a total of 269,000 square feet of space, resulting in a reduction of approximately 23,000 square feet of space from the current approximately 292,000 square feet within the Ferry Building. Mr. Alec Bash of the Port reports that the reduction in space is a result of the restoration of the Ferry Building to contain the original Nave Bay, which is a long narrow central hall rising higher than the adjacent portions of the building, which will open up the center portion of the building from the ground floor to the roof, by removing about one-third of the second floor and all of the third floor. The proposed development will also seismically retrofit and

rehabilitate the Ferry Building to current fire and safety Building Code standards.

The Lease Disposition and Development Agreement, between the Port and the Developer, which is not subject to the Board of Supervisors approval, is intended to establish the conditions for the development of the Ferry Building by the Developer and to state the conditions for the delivery of the Ground Lease for the Ferry Building and the site to the Developer by the Port. The Lease Disposition and Development Agreement between the Port and the Developer, Ferry Building Investors, identifies the scope of the development project and includes a schedule of performance, indemnification requirements, relocation of tenant provisions, and other issues related to the construction phase of the project. The Lease Disposition and Development Agreement was approved by the Port Commission on August 24, 1999 and will become effective when the Port Director signs the Agreement, which Mr. Osmundson advises will not occur until the Board of Supervisors approves the proposed Ground Lease resolution. The Lease Disposition and Development Agreement will then expire upon the completion of the Ferry Building's construction, which is anticipated to be in approximately June of 2002.

The proposed Ground Lease for the Ferry Building between the Port and the Ferry Building Investors, which is the subject of the proposed resolution, establishes the terms and uses for the Ferry Building and identifies the specific compensation and other requirements for each of the parties during the term of the Ground Lease. This Ground Lease would commence after specific conditions are met, which are identified in Attachment 1 to this report, provided by the Port. Mr. Osmundson advises that these conditions are expected to be achieved by January of 2001, and the Ground Lease would extend for 66 years, or until approximately 2067. According to Mr. Osmundson, the Ferry Building Investors proposed the Ground Lease term of 66 years, which is the maximum allowable under the State's Burton Act.

Under the proposed 66-year Ground Lease, the Developer, Ferry Building Investors, will be responsible for all of the costs required for managing, improving, operating, maintaining and repairing the Ferry Building and the surrounding area. During this period of time, the Port would continue to own the Ferry Building and at the conclusion of the 66-year Ground Lease, the responsibility for the management, operation and maintenance of the Ferry Building and all improvements will revert back to the Port.

Fiscal Provisions: Attachment 2, provided by the Port, identifies the major fiscal provisions of the proposed Ground Lease. As shown in Attachment 2, the Port will initially receive a minimum guaranteed rent of $1.4 million per year, payable on a monthly basis of $116,667 per month, from the Ferry Building Investors. In accordance with the proposed Ground Lease, if the base rent is not paid, such rent payments would continue to accrue, with annual interest costs of either ten percent or five percent over the Federal Reserve Bank rate, whichever is greater.

This $1.4 million minimum guaranteed annual rental income would be adjusted by the Consumer Price Index (CPI) every five years, subject to a minimum of two percent and a maximum of four percent per year, or a total of between ten to 20 percent every five years. This CPI rent adjustment would be paid by the Ferry Building Investors to the Port prior to any return on investment is paid to Ferry Building Investors, but, after the debt service, reserves and other operating expenses of the Ferry Building property are paid by Ferry Building Investors. If sufficient funds are not available to Ferry Building Investors to pay the Port this CPI rent adjustment, such payment may be deferred, interest-free, until such funds are available.

In addition to the $1.4 million annual adjusted rent payments, as shown in Attachment 2, the Developer will pay the Port a Participation Rent equal to 50 percent of the net income received by the Developer, on a quarterly basis, beginning six months from the date

that the Ferry Building's net cash flow is positive. This Participation Rent would be paid after deducting the annual adjusted CPI rent payments and after the Developer receives an 11 percent return on their equity. Therefore, the Port would only receive such Participation Rent, if Ferry Building Investors revenues exceed not only their operating and maintenance costs, debt service and reserves, but also the adjusted $1.4 million annual CPI rent payments to the Port and an 11 percent return on equity to Ferry Building Investors.

As outlined in Attachment 2, the proposed Ground Lease also contains specific provisions giving the Port an option to share in the net proceeds from the transfer, sale, assignment or refinancing of the Lease. If the Ferry Building Investors refinances the lease, the Port would be paid 30 percent of all net refinancing proceeds. Assuming that under such refinancing, Ferry Building Investors would be realizing funds and thus increasing the debt service cost, the refinancing would serve to reduce the amount of Participation Rent that would be available to be paid to the Port. Alternatively, if Ferry Building Investors refinances to realize lower debt service costs, the Port would potentially realize increased Participation Rent, as the debt service costs are reduced. If Ferry Building Investors transfers or sells the Ground Lease, the Port can elect to receive 30 percent of the net proceeds from the transfer or sale, but, in return, the Port would relinquish the 50 percent Rent Participation provision, although the Port would continue to receive the CPI adjusted monthly rent payments.

Given these financial provisions, Attachment 2 identifies the Port's likely projected revenues totaling $88.4 million over a 20-year period, assuming that the Ground Lease is refinanced after ten years and sold after 20 years. Although this analysis only reflects the initial 20-year period, during the remaining 46 years of the proposed 66-year Ground Lease, if the Ground Lease is sold, the Port would continue to receive the CPI adjusted monthly rent payments, or an estimated $64.4 million from the base rent and up to an

additional $166 million from the CPI adjustments, assuming an average inflation rate of 3.2 percent, for a total of $318.8 million ($88.4 million plus $64.4 million plus $166 million). Mr. Osmundson also notes that if the Ground Lease is not sold or transferred, although the Port would not receive the estimated $24.5 million in sales proceeds as shown in Attachment 2, the Port would continue to receive the CPI monthly rent payments totaling up to approximately $230.4 million ($64.4 million plus $166 million) and the 50 percent Rent Participation revenues for the subsequent years, which are estimated by Ferry Building Developers to be between approximately $3.4 million to $22.4 million annually.

Comments:

1. Presently, the Port occupies 41,934 useable square feet of administrative office space in the Ferry Building. In addition, the Port indicates that they currently occupy 4,610 square feet of storage space in the Ferry Building, that will be moved to an off-site storage facility. The Port intends to relocate their administrative offices to Pier 1, under a 50-year lease and sublease arrangement with AMB Property Corporation, which was approved by the Board of Supervisors in April of 1999 (Resolution No. 329-99). Pier 1 is located immediately adjacent to the Ferry Building. Under the Pier 1 sublease, the Port will occupy 45,630 useable square feet of space, an increase of 3,696 square feet. In addition, as noted above, the Port will lease 3,000 square feet of additional space in the Ferry Building, for the Port Commission hearing room and related office space, for a total of 48,630 square feet of space for the Port, as compared with the current 41,924 square feet, an increase of 6,706 square feet, or 16 percent. It should also be noted that the Pier 1 sublease allows for the Port to occupy up to an additional 30,000 square feet of space during the 50-year term of the sublease.

2. Under the previously approved Pier 1 lease and sublease arrangements, AMB Property Corporation will construct and manage a proposed new office building. When completed, AMB will occupy a portion of the new Pier 1 office space, sublease a portion of the new office

space to the Port and sublease a portion of the new space to other outside tenants. Under such arrangements, the Port will pay AMB Property an initial rent of $153,051 per month for 52,475 square feet of office space, or approximately $2.92 per square foot per month ($35 annually). The sublease has various escalation clauses, which become effective over the 50-year term of the lease and sublease.

Under these arrangements, previously approved by the Board of Supervisors, AMB Property will receive a return of 11 percent on their estimated construction costs of $34,511,526, or $3,796,268. Under a revenue-sharing arrangement, beginning in year six, and continuing for the remaining 45 years of the lease, AMB will pay the Port 50 percent of the total rental income received by AMB from all the tenants, including the Port and AMB. At the end of the 50-year term of the lease and sublease, the Pier 1 building and all improvements will belong to the Port.

3. Pier 1 construction began in August of 1999 and is projected to be completed in December of 2000. As soon as it is completed, the Port anticipates relocating its administrative offices and staff to the newly renovated Pier 1 facility. The Ferry Building construction is then projected to begin immediately thereafter in January of 2001, and to be completed by June of 2002. One of the conditions stated in the Ferry Building Lease Disposition and Development Agreement is that if the Port is unable to vacate the Ferry Building by January of 2001, due to a delay in the Pier 1 project, the Port has various options to extend that date, with graduated penalties in the form of per diem rent credits to be paid to Ferry Building Investors the further the date is extended. Conversely, the Ferry Building Investors must meet their specific conditions by that date, or pay the Port $75,000 per month for their delays.

4. Mr. Osmundson notes that when the renovations at the Ferry Building are completed, office and retail space in the Ferry Building will rent at the then current market rates, which is estimated to be $53.89 per square foot per year for office space, and $40.93 per

square foot per year for retail space. Mr. Bash advises that the Port currently receives $16.68 per square foot per year from the World Trade Club and $32.64 per square foot per year from Limbaugh & Limbaugh, from their long-term leases at the Ferry Building. The proposed Ferry Building office space rate of approximately $54 per square foot is $19 more per square foot, than the proposed rent of $35 per square foot, that the Port will pay for office space in Pier 1.

5. Mr. Osmundson advises that the Port will not be required to pay Ferry Building Investors for tenant improvements or the use of the 3,000 square feet of additional space in the Ferry Building, to be used for the Port Commission meetings and for an ancillary office. Currently, the Port occupies all of its Ferry Building space rent-free. However, Mr. Osmundson notes that Ferry Building Investors will be able to rent out the Port Commission meeting room and the ancillary office space when the Port is not using such space, in accordance with a proposed sublease. Mr. Osmundson reports that the sublease between Ferry Building Investors and the Port for use of this 3,000 square feet of space in the Ferry Building will be subject to the Board of Supervisors approval and is anticipated to be brought to the Board within the next three months.

6. On May 15, 1998, the Port issued a Request for Qualifications (RFQ) to Rehabilitate and Lease the Ferry Building as a mixed-use project. Mr. Osmundson advises that this RFQ was advertised in the Wall Street Journal, Los Angeles Times, New York Times, Urban Land Magazine and numerous other publications, and that the RFQ was sent to over 100 firms. In response, the Port received four qualification statements and subsequently, the Port invited the four respondents to submit proposals for development of the Ferry Building. The four respondents were: (1) Madison Marquette Realty Services, (2) TrizecHahn Development Corporation, (3) Mentmore Development Company/Mills Corporation and (4) William Wilson & Associates. An analysis of the four proposals was conducted by the Port's staff and assisted by outside

real estate consultants, Keyser Marston Associates and the accounting firm of KPMG Peat Marwick. On November 17, 1998, the Port staff recommended and the Port Commission selected William Wilson & Associates, located in San Mateo, as the developer to enter into an Exclusive Right to Negotiate Agreement for the Ferry Building (Resolution No. 98-114).

William Wilson and Associates subsequently merged with Cornerstone Properties, a national real estate investment trust, and is now known as Wilson Cornerstone. Wilson Cornerstone created a development entity known as Ferry Building Investors, LLC, to act as the developer for the Ferry Building project. The Port advises that Wilson Cornerstone, the parent company of Ferry Building Investors, is also currently constructing the Gap Headquarters building, at The Embarcadero and Folsom Street and was the developer for the restoration of the Flood Building, both landmark buildings in San Francisco. The Board of Directors and the Officers of Wilson Cornerstone, Inc. are identified in Attachment 3 provided by the Port.

7. As shown in Attachment 4 provided by the Port, Ferry Building Investors estimate project construction costs of approximately $70 million, which includes $2,683,333 of Ground Lease minimum rental payments to the Port during the construction period. According to Mr. Osmundson, the construction management firm of O'Brien Krietzberg has reviewed these estimates for the Port and determined them to be reasonable. However, Ms. Diane Millner of the City Attorney's Office reports that if the actual costs exceed the developer's estimates, then Ferry Building Investors would be liable for any cost overruns, and not the Port. However, Ms. Millner notes that any additional costs that are incurred by Ferry Building Investors will ultimately affect the Port's revenues, since the proposed project has shared public/private Participation Rent provisions.

8. The Ferry Building is a City landmark listed on the National Register of Historic Places. After construction is completed, the Developer expects to receive

certification from the National Park Service that the construction complies with the Secretary of Interior's Standards for Rehabilitation, making the project eligible for a 20 percent Federal Historic Preservation Tax Credit. Mr. Osmundson advises that these Tax Credits, which are similar to the Federal Affordable Housing Tax Credits, will enable the Ferry Building Investors to increase the amount of cash available for the project, which will potentially increase the amount of net cash that will be available to split with the Port under the Rent Participation provisions.

9. Currently, the Ferry Building has 41 parking spaces. Under the proposed Ferry Building development, there would be no on-site parking. The Budget Analyst notes that the Planning Department in a letter of February 16, 1999 granted an exemption to the adjacent Pier 1 project from all Planning Code off-street parking requirements, which was previously approved by the Board of Supervisors. The current Planning Code requirement is for one off-street parking space per 500 square feet of office and retail space development and slightly higher off-street parking requirements for restaurant space. Based on the projected use of the 269,000 square feet of the Ferry Building project, 514 off-street parking spaces would be required. However, according to Mr. Bash, this parking requirement may be reduced based on the Ferry Building's already existing deficit of parking. Mr. Bash advises that the developers for the Ferry Building project will be seeking an exemption from the Planning Department for such off-street parking requirements.

10. Under the proposed agreements, Ferry Building Investors will be required to carry various types of insurance (e.g., property insurance, commercial liability insurance, business insurance, etc.) and the agreements contain various indemnification provisions. Mr. Keith Grand, the City's Risk Manager reports that he has reviewed the insurance and indemnity provisions and he recommends the following amendments be incorporated in the Ground Lease, to further protect the City: (1) In Section 18.1(b), General Insurance Requirements, the Lease currently states

that all insurance shall be carried under a valid and enforceable policy issued by insurers of recognized responsibility that are rated Best A-:VI or better. Mr. Grand recommends that the rating be changed from A-VI to A-VIII, which is a higher rating and is the City's usual minimum requirement for insurance carriers; (2) In Section 18.2, Port Entitled to Participate, the Lease currently states that the Port shall not be entitled to participate in and consent to any settlement, compromise or agreement with respect to any claim for any loss in excess of $5 million covered by the insurance required to be carried, if the tenant has agreed in writing to commence and complete restoration. Mr. Grand advises that the Port should be able to participate in such insurance settlements, that would otherwise go solely to Ferry Building Investors.

11. The proposed resolution would also adopt the findings with respect to the Final Negative Declaration for the Ferry Building Project, which was issued by the Planning Department on October 1, 1998. On August 24, 1999, the Port Commission adopted the Final Negative Declaration and mitigation monitoring program for the Ferry Building Project.

12. In accordance with the proposed conditions for entering into the Ground Lease, as shown in Attachment 1, the Port must deliver the Ferry Building to Ferry Building Investors free of all tenants and occupants, except the World Trade Club (WTC), Limbach & Limbach and Amtrak, the three tenants with long-term leases in the Ferry Building. Furthermore, as stated in the Lease Disposition and Development Agreement, Ferry Building Investors is responsible, at no cost to the Port, for the relocation or buyout of these three long-term tenants, prior to beginning renovations of the Ferry Building. Mr. Osmundson advises that the World Trade Club is currently objecting to (1) potential termination of its short-term (month-to-month) lease provisions, (2) potential termination of its short-term parking lease on adjacent Port property and (3) the developer not negotiating in what the World Trade Club considers to be good faith.

13. In addition to the $88.4 million that the Port is estimating it will receive over the first 20 years of the proposed Ground Lease, Mr. Osmundson reports that the City will receive approximately $700,000 annually from Possessory Interest Taxes from Ferry Building Investors and approximately $300,000 annually from Sales Taxes generated by the proposed retail establishments, or a total of $1.0 million annually. Currently, Mr. Osmundson reports that the City receives approximately $250,000 annually from Possessory Interest Taxes paid by the various leasees in the Ferry Building and approximately $10,000 annually from Sales Taxes generated by the few retail establishments, or a total of $260,000. Possessory Interest Taxes are a means for the City to collect Property Taxes on public property that is used for private purposes. Overall, Mr. Osmundson estimates that the proposed Ferry Building project will generate an additional $740,000 of annual revenue for the City's General Fund.

14. As discussed above, the Port currently owns, operates and maintains the Ferry Building, including providing security, janitorial, garbage, utilities, insurance, maintenance, property management and administrative support functions. As shown in Attachment 5 provided by the Port, in FY 1998-99, the Port spent a total of $1,350,000 on such services for the Ferry Building. During FY 1998-99, the Port generated a total of $2,553,144 in gross revenues from the Ferry Building, thus realizing ($2,553,144 gross revenues less $1,350,000 of costs) $1,203,144 of net revenues for the Port.

It should be noted that by comparison, Ferry Building Investors projects that in 2003, the first year of occupancy for the new Ferry Building, total gross income will be approximately $12 million and operating expenses, including taxes (which the Port did not incur) will be approximately $3.2 million, resulting in a net operating income of approximately $8.8 million. After payment of the Port's base $1.4 million annual rent and estimated debt service payment of $3.6 million, Ferry

Building Investors projects realizing a net cash flow of approximately $3.8 million, this first year of operation.

15. Under the proposed Ground Lease provisions, the Ferry Building Investors will assume responsibility for the construction, operation and maintenance of the Ferry Building beginning in January of 2001. Therefore, all of the $1,350,000 of costs that the Port is currently incurring to support the Ferry Building's operations and maintenance should cease. In addition, Mr. Osmundson advises that Ferry Building Investors will be responsible for maintaining the exterior area, up to 20 feet, surrounding the Ferry Building, which the Port currently maintains. Mr. Osmundson could not provide the Budget Analyst with an estimate of the additional costs that the Port currently incurs to maintain this exterior area, which will also no longer be necessary once Ferry Building Investors assumes control of the interior and exterior Ferry Building operations and maintenance.

Mr. Osmundson advises that the Port should be able to reduce its contracts for security and janitorial services and for the direct garbage, utility and insurance costs, at an estimated total annual cost of $1,087,000. However, Mr. Osmundson reports that the Port does not plan to cut back the reserve funds or the maintenance, property management and administrative staff that are currently assigned to the Ferry Building, at an estimated annual cost of approximately $263,000. Instead, Mr. Osmundson reports that the Port intends to reallocate such funds and staff to other Port properties, as needed. However, the Budget Analyst recommends that the FY 2000-2001 budget for the Port be reduced by $675,000, or the six month portion of the estimated $1,350,000 annual costs, which would no longer have to be incurred by the Port, assuming a January of 2001 transfer of the property from the Port to Ferry Building Investors. Furthermore, the Budget Analyst recommends that an additional $675,000 be reduced from the FY 2001-2002 Port budget, to reflect the additional six months of savings during the following year.

16. On September 10, 1999, Mr. Douglas Wong, the Executive Director of the Port issued a memorandum to the Members of the Finance and Labor Committee responding to the request for information on the development options available to the Port in restoring and rehabilitating properties, such as the Ferry Building. This memorandum discussed the Port's development options of having the (1) Port as Developer, (2) Port as Ground Lessor, and (3) Port as Ground Lessor under a Private-Public Partnership. The conclusion drawn in this memorandum is that "the Port will improve its chances of creating a successful project (thereby maximizing its revenue) by bringing in the capital resources and skills of Wilson Cornerstone as the developer," with the Port as Ground Lessor under a Private-Public Partnership.

The Budget Analyst notes that in both the Best and Conservative Case Projections included in this memorandum, the Port assumes that Ferry Building Investors will sell the Ground Lease in year 20, thus realizing an additional $22.7 million to $39.7 million of revenue for the Port, under these two private developer scenarios. Similarly, as reflected in Attachment 2, the Port assumes not only a sale of the Ground Lease in year 20, netting the Port an estimated $24.5 million, but an additional $14.3 million from the Port's share of the refinancing proceeds in year 10 of the Ground Lease. Together, these two provisions would yield the Port $38.8, or approximately 44 percent of the total estimated $88.4 million projected over the 20-year period. Yet, while these scenarios assume the developer will sell the leasehold interest in year 20, Mr. Osmundson states that the Port cannot assure or even predict when or if the developer would ever refinance, transfer or sell the proposed Ground Lease.

17. If the Ferry Building Investors want to sell, transfer, assign or refinance the Ferry Building Ground Lease, such sale, transfer, assignment or refinancing would not be subject to the Board of Supervisors approval, according to Mr. Osmundson, unless there were to be amendments to the Ground Lease. Mr. Osmundson also advises that the Port cannot

reasonably withhold the Port's consent of such a sale, transfer, assignment or refinance. However, given the 66-year long-term length of the proposed Ground Lease, and the likelihood that the lease may be sold at sometime in the future, the Budget Analyst recommends that such future sale, transfer or assignment of the proposed Ground Lease from the Ferry Building Investors be subject to review and approval by the Board of Supervisors.

18. The Budget Analyst raises the following concerns about the proposed Ground Lease for the Ferry Building: (1) the Port would occupy 3,000 square feet of additional space in the Ferry Building, in addition to the already increased Port administrative space of 45,630 square feet, and additional expansion potential of 30,000 square feet in the adjacent Pier 1 facility; (2) there is not proposed to be any parking available at the Ferry Building, although the Planning Code requirement is for 514 off-street parking spaces; (3) the City's Risk Manager recommends two insurance provisions be changed to more adequately protect the City, as described in Comment 10 above; (4) the World Trade Club, an existing long-term tenant, has raised various objections; (5) the Port's intention to continue to maintain the same level of Port maintenance, property management and administrative staff and associated costs of approximately $263,000, after the Ferry Building is transferred to Ferry Building Investors for their operation and maintenance; (6) the reasonableness of the Port's financial analysis to include future sale of the Ground Lease for between $22.7 million to $39.7 million in net revenues to the Port, when the likelihood of such an event is unknown; and (7) any future transfer, sale or assignment of the proposed 66-year Ground Lease for the Ferry Building would not be subject to the Board of Supervisors approval, unless amendments were made to such Ground Lease.

19. Ms. Millner advises that the Board of Supervisors cannot amend the proposed Ground Lease, which is the subject of this proposed resolution. According to Ms. Millner, the Board of Supervisors can only approve,

disapprove or continue the proposed resolution. Therefore, the Budget Analyst recommends that the Board of Supervisors continue the proposed resolution, to permit the Port to renegotiate with Ferry Building Investors regarding the issues raised in this report, as summarized in Comment No. 18.

Recommendations: Continue the proposed resolution to request that the Port include the following amendments in the Ferry Building Ground Lease: (1) the City's Risk Manager's recommended changes pertaining to insurance provisions, as described in Comment 10 above; and (2) require that any future sale, transfer or assignment (except for assignment for the purpose of financing) of the Ground Lease, be subject to approval by the Board of Supervisors, as described in Comment 17 above. In addition, before the Board of Supervisors approves the proposed resolution, the Port should provide a plan in writing to the Board of Supervisors on specifically how the Port will reduce their FY 2000-01 budget by $675,000, and the Port's FY 2001-02 budget by an additional $675,000, for a total annualized reduction of $1,350,000, in accordance with our analysis as described in Comment 15 above.

Furthermore, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors, due to the numerous issues raised in Comment No.18 above.

Following are the conditions that must be satisfied for the escrow to close, whereby the Lease and the site will be delivered to Developer:

- Port has approved the construction design documents.
- Port has issued a full building permit or a site permit.
- Developer has submitted to the National Park Service Part 2 of the Historic Preservation Certification Application.
- Developer has received all required approvals from regulatory agencies, including BCDC.
- Developer has submitted to the Port an updated Construction Budget, and evidence of a guaranteed maximum price contract for the construction of improvements consistent with the Construction Budget.
- Developer has provided the Guaranty.
- Pier 1 is completed.
- Developer has submitted evidence regarding the establishment of an investment entity to utilize Historic Tax Credits.
- Developer has submitted a certificate of insurance for required insurance coverage and the title company is prepared to insure title.
- Executed copies of the Lease have been submitted into escrow.
- The Ferry Building is free of all tenants and occupants, except WTC, Limbach and Amtrak.
- Developer has submitted a First Source Hiring Agreement and an HRC Certificate of Compliance and the Port has approved them.
- Port has completed certain offsite work in the Apron Area and issued permits to enter to Developer for staging and other construction activity.
- There have been no adverse changes in the condition of the site.

IV. FINANCIAL ANALYSIS

As previously discussed, under the Lease the Port stands to receive revenue from the project as follows:

Minimum Rent: Guaranteed $1.4 million annually

Annual Consumer Price Index ("CPI") Adjustment: Between 10% and 20% every five years, after operating expenses, reserves and debt service. Unpaid CPI adjustments accumulate.

Participation Rent: 50% of net cash flow, after 11% developer return on equity. Unpaid return on developer equity accumulates.

Participation in Refinance Proceeds: Port receives 30% of net proceeds from refinancing.

Participation in Transfer or Sale Proceeds: Port can elect to receive 30% of net proceeds from a transfer or sale, but thereafter relinquishes its 50% participation in net cash flow.

The scenario presented below is for a 20 year period, assuming 3% inflation, a refinance after 10 years, and a sale after 20 years.

Port Revenue	Cumulative Port Revenue, Developer Projected Rents
Minimum Rent	$28.0 million
CPI Adjustment Rent	$5.6 million
Participation Rent	$16.0 million
Refinancing Proceeds	$14.3 million
Sale Proceeds	$24.5 million
TOTAL	$88.4 million

CORNERSTONE PROPERTIES INC.

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FERRY BUILDING LEASE DISPOSITION AND DEVELOPMENT AGREEMENT
Form of Budget

Construction Budget:		
Acquisition of Ground Lease		$927,000
Lease Modification Costs		5,109,929
Environmental Mitigations		3,750,000
Entitlements		281,000
Architects & Engineers		4,334,212
Shell Construction		37,832,500
Retail Tenant Work		968,415
Office Tenant Work		5,982,500
Retail Leasing Commissions		849,410
Office Leasing Commission		1,037,219
Marketing Expenses		178,000
Legal		222,000
Financing Fees		756,000
Development Fee		2,610,127
Contingency		2,037,500
Development Period Interest		2,638,551
Operating Shortfall:		
Development Period Ground Rent	$2,683,333	
Development Period Operating Expenses	1,924,150	
Less: Development Period Income	(4,221,866)	
		385,617
Total Construction Budget		$69,899,980

Attachment 5

Ferry Building/World Trade Center
Expenses
Fiscal Year 1998-99

Description	Estimated Annual Amt. ($000's)
Security	$128
Janitorial	370
Scavenger	39
Electricity	340
Gas	72
Water/Sewer	38
Insurance	100
Maintenance & Reserves	176
Administrative	87
TOTAL	$1,350

Item 6 - File 99-1869

Department:	Airport
Item:	Resolution authorizing modifications to Lease No. 99-0035 between the DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission.
Location:	New International Terminal Building (ITB) of the Airport
Lessor:	City and County of San Francisco, acting by and through its Airport Commission
Lessee:	The DFS Group L.P., a Delaware limited partnership ("DFS")
Effective Date of Lease Modifications:	May of 2000
Description:	The Airport and DFS have negotiated Lease No. 99-0035 for "post-security" retail spaces which are located beyond the security checkpoints in the new ITB. The subject ten-year concession lease, which has yet to be signed but which is due to commence at the opening of the new ITB in May of 2000 and to expire in May of 2010, would cover 52,946 square feet at 27 locations in the new ITB[1]. This lease was approved by the Board of Supervisors on April 5, 1999 (Resolution No. 283-99). Under the subject concession lease, DFS would be responsible for both the direct provision of duty free[2] retail stores and the subleasing of non-duty free[3] retail stores. The table included in the Attachment to this report provided by the Airport lists (a) DFS's proposed subtenants, (b) each subtenant's Disadvantaged Business Enterprise (DBE) status, (c) the retail facilities each subtenant would provide, and (d) the square footage of each subleased space. These subtenants would occupy a total of 17,087

[1] Ms. Lorri Vasquez of the Airport states that the reference in Lease No. 99-0035 to a total of 51,914 square feet was based on approximate figures which have since been revised so that the approximate total space covered by the existing lease is actually 52,946 square feet.
[2] "Duty free" merchandise is defined as goods sold without taxation to international travelers for consumption outside of the United States of America.
[3] "Non-duty free" merchandise is defined as goods that are taxed at the point of sale.

square feet, or 30 percent of the total 57,353 square feet designated under the DFS concession lease.

The proposed resolution would modify the concession lease between DFS and the Airport as follows:

(1) The addition of 4,407 square feet of "pre-security" retail space, which increases the total amount of space covered by the subject concession lease from 52,946 square feet in 27 locations to 57,353 square feet in 29 locations in the new ITB. The additional 4,407 square feet of space is located before the security checkpoints in the new ITB, for two additional retail locations: (a) an 1,684 square foot Apothecary Store, which would sell various items sold in a standard drugstore, and (b) a 2,723 square foot Unisex Apparel Store, which would sell casual clothing. These two stores would have a five year term from May of 2000 to May of 2005 which the Airport can extend by one additional five year extension term for either or both stores.

(2) Delegation to the Airport, pursuant to Section 1.2 of the concession lease, of the ability to modify the future size and usage of the retail space being leased to DFS without subsequent Board of Supervisors approval.

Comments:

1. The concession lease would require DFS to pay the Airport the greater of the two following amounts in rent: either (a) a minimum annual guarantee of $26,100,000 which can be increased annually according to composite changes in the Consumer Price Index and passenger traffic, as set out in the concession lease, or (b) a percentage of annual gross revenues which is calculated on the following basis:

Annual Gross Revenues	Duty Free	Non-Duty Free
Up to and including $50,000,000	15%	12%
$50,000,000.01 - $100,000,000	20%	14%
Over $100,000,000	25%	16%

By comparison to the above noted minimum annual guarantee of $26,100,000, in FY 1998-99 DFS paid the Airport $20,700,000 in rent, according to Mr. Peter Nardoza of the Airport.

2. Under the proposed modifications to the previously approved DFS concession lease, which would provide 4,407 additional square feet for an Apothecary Store and a Unisex Apparel Store, DFS would not pay an additional minimum annual guarantee to the Airport. DFS would only be required to pay the Airport rent for those stores on the basis of a percentage of annual gross revenues, calculated as follows:

Annual Gross Revenues	Percentage Rent
Up to and including $500,000	12%
$500,001 up to and including $1,000,000	14%
Over $1,000,000	16%

3. DFS would sublease the Apothecary Store retail space to Ms. Donnetta Stafford, a DBE owner who has already entered into two subleases with DFS for a Travel Accessories Store and a Leather Goods Store at the new ITB. Ms. Stafford also subleases retail space from DFS for a "health and herb concept" store in the existing International Terminal which sells some merchandise that is comparable to the merchandise which would be sold through her Apothecary Store in the new ITB.

DFS would operate the Unisex Apparel Store retail space under a licensing agreement with Esprit. According to Ms. Vasquez, the Unisex Apparel Store would be the first single brand unisex apparel store in the Airport.

4. Under the proposed modification to Section 1.2 of the concession lease, the Airport would be authorized to make the following changes to the concession lease, without subsequent approval from the Board of Supervisors:

(a) relocate, expand, and/or contract the Lessee's premises if such relocation, expansion, and/or contraction is in the Airport's best interests;

(b) permit a change in concept for a facility covered by the concession lease if such a concept change is in the Airport's best interests (for example, if the Airport's passenger profile indicated that there was no longer a need for a Unisex Apparel Store, but that there was a need for another category of store or restaurant); and

(c) enter into the modifications to the concession lease which are necessary to implement such relocations, expansions, contractions, and/or changes in concept.

5. The Budget Analyst recommends that this proposed resolution be continued and that the Airport renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store.

In response to the Budget Analyst's recommendation, Ms. Vasquez states that it would be inappropriate for the Airport to re-open negotiations with DFS over the proposed amendments given that this could jeopardize the signing of Lease No. 99-0035 approved by the Board of Supervisors on April 5, 1999. Ms. Vasquez states that the negotiations have had to address not only revenue issues, but also the Airport's desire to provide a range of services to the traveling public while dealing with complex retail industry and property management practices, within the context of a significant drop in sales for the duty free industry over the last two years. Ms. Vasquez states that DFS will be paying the Airport (a) a minimum annual guarantee of at least $261,000,000 over the ten-year term of the concession lease, and (b) additional rent from the proposed Apothecary and Unisex Apparel Stores. Ms. Vasquez states that DFS has agreed to add the 4,407 square feet for Apothecary and Unisex Apparel Stores to its concession lease as a favor to the Airport, given its longstanding business relationship and mutual goal of offering services to the traveling public. According to Ms. Vasquez, DFS's agreement to assume responsibility for the additional space is in spite of two issues: (a) DFS will not gain any revenue from the Apothecary Store because the percentage rent required for this store by the Airport from DFS is exactly the same as the percentage rent

required by DFS from the subtenant, therefore rendering the subtenant's rent payment a direct pass-through to the Airport, and (b) both the Apothecary and Unisex Apparel Stores are unproven retail concepts with unknown revenue potential which the Airport was previously unsuccessful in bidding out.

6. In the professional judgement of the Budget Analyst, all retail space at the Airport is commercially valuable and, therefore, an upward adjustment of the minimum annual guarantee payable by DFS to the Airport for the addition of 4,407 square feet to its concession lease is fully warranted.

Recommendation: Continue this proposed resolution and request the Airport to renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store.

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr. Mayor
Henry E. Berman President
Larry Mazzola Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN Airport Director

San Francisco International Airport
GATEWAY TO THE PACIFIC

October 27, 1999

Via Fax (415-252-0461)
Mr. Alan Gibson
Budget Analyst
Budget Analyst's Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: Post-Security Master Retail/Duty Free Concession Lease ("Lease")

Dear Alan:

Thank you again for your ongoing patience and assistance with this project. Set forth below are the answers to your questions of October 27, 1999.

(a) What is the Airport trying to achieve by providing Apothecary and Unisex Apparel Stores?

By providing an Apothecary Store and Unisex Apparel Store, the Airport is achieving the following goals:

(1) Prevents these stores from being closed when the New International Terminal opens;
(2) Provides a sophisticated variety of retail shopping facilities and avoid "cannibalizing" the other facilities;
(3) Responds to the surveys which show that Airport patrons repeatedly request a facility selling drugstore/apothecary products;
(4) Have in the Airport clothing products representing San Francisco-based manufacturers; and
(5) Achieves DBE goals.

DFS will sublease a portion of the space to Donnetta Stafford, a local DBE, for an apothecary store. An Esprit store will be operated in the remaining space. Esprit is a local San Francisco-based company. Attached is the DBE Subleasing Plan, which achieves the 30% DBE goal.

(b) Why were there no bidders for the proposed Apothecary and Unisex Apparel Stores? What particular elements of the bid requirements were deemed too restrictive by potential bidders for each store?

Set forth below is our understanding of why potential bidders declined to bid on these facilities when originally offered:

(1) It appears that the lease specifications (ie. Minimum Annual Guarantee, percentage rent, improvement costs, etc.) were too high.
(2) Some of the regionally-branded drugstore/apothecary stores stated that the facility was too small compared to the size they are used to.
(3) Prospective bidders advised staff that they did not bid given that the concepts were relatively new to the Airport and no one knew their revenue potential.
(4) The retail market is strong, and the Airport must compete with other locations for strong concessionaires. Many regionally-branded drugstore/apothecary stores stated that this location did not fit within their business plan of building in local neighborhoods.
(5) Finally, many concessionaires who might otherwise have bid for these facilities were already committed to other Airport projects.

(c) Why did the DFS Group agree to take over the two retail spaces given that (a) the sublease revenue from Donnetta Stafford will be a pass-through, and (b) there is no guarantee that they will make a profit from the Unisex Apparel Store.

The Airport staff requested that DFS take these two additional spaces. Although we do not know the reason they were able to accommodate the Airport's request, it may relate to DFS's and the Airport's shared goal of creating a sophisticated and convenient shopping experience for the travelling public.

(d) Why did Donnetta Stafford agree to sublease from DFS Group, if she didn't bid or wasn't previously prepared to enter into a direct concession agreement with the Airport? What has changed in the lease requirements to make the proposition more attractive?

Donnetta Stafford currently has a sublease agreement with DFS, and we understand that she is comfortable working with DFS. DFS provides a lot of tenant support for smaller operators, such as assistance with tenant build-outs and training. Many small operators like the support of a larger operator.

(e) Please explain Esprit's relationship to DFS Group with regard to the licensing agreement for the Unisex Apparel Store – why has Esprit agreed to enter this arrangement when it wasn't previously prepared to bid for/enter into (whichever applies) a direct concession agreement with the Airport?

DFS entered into a licensing agreement with Esprit to sell and display Esprit merchandise. We understand that in December 1998, when the Airport requested bids for the Unisex Apparel Lease, Esprit was undergoing a change of management and was timid about venturing into an airport retail venue with which they had no experience. Also DFS' experience in Airport retail would provide Esprit (and Ms. Stafford) the opportunity to better their retail success.

(f) Reasons for not increasing the Minimum Annual Guarantee to reflect the 8.3 percent increase in revenue-generating retail facility space being leased by the DFS Group.

First, we determined that it does not make sense to apply a Minimum Annual Guarantee to these additional facilities given that these concepts are not proven and the concessionaires are timid. After receiving no bids on the original packages, staff determined that there appears to be a disconnect between Airport desires and retailers' business plans. In this context, the Airport determined that percentage rent would be appropriate. Again, with the addition of these two facilities, rent paid to the Airport *will* increase.

Second, even if the Airport were to apply a MAG to these facilities, it does not make sense to increase the MAG by 8.3% because most of the current MAG is driven by the duty-free facilities, not these types of facilities. Given that the profit margins and revenue generation will vary greatly by concept, a pro rata calculation of MAG will not work. These facilities would not be able to support a MAG that high.

(g) What are the reasons for allowing the Airport to amend the Lease in Certain Respects without prior approval made by the Board of Supervisors?

Due to the length of the term and complexity of the merchandise mix contained within this Lease, the Airport Commission authorized the Airport Director to amend the Lease to expand, contract, and relocate the premises and/or change a concept, provided the same is in best interests of the City. This authorization would minimize the administrative burden on the Airport Commission and the Board of Supervisors for minor amendments. For example, if the watch store turned out to be a lousy concept, the Airport would like the flexibility to replace that facility with a different concept, perhaps one that is more fully-developed in two or three years. Of course, the Airport will still subject any such amendments to the other applicable City requirements.

Finally, please recall that although we believe the Airport market is generally strong, we only had one bidder on this Lease, DFS. Given that the Airport is the gateway to the City, we know you share our goal of creating a positive shopping environment representative of San Francisco. We believe that this amendment will do so.

OCT-27-1999 17:19 FROM SFIA-BUS DEV & MGMT TO 91415252046I P.03

Per your request, attached is DBE Subleasing Plan. Should you have any additional questions, please call me at (650) 794-4500.

Very truly yours,

Lorri A. Vasquez
Assistant Deputy Airport Director
Concession Development and Management

Cc: Bob Rhoades
Attachment
JT:ep/sm

OCT-27-1999 17:19 FROM SFIA-BUS DEV & MGMT TO 9141525204 61 P.04

TOTAL P.05

POST-SECURITY MASTER RETAIL/DUTY FREE CONCESSION LEASE
DBE SUBLEASING PLAN

DBE Subtenant	Ethnicity	Retail Concept	Square Footage
RDG Concessions	African Am.	Sunglasses	500
		Watches	1,856
		Travel Accessories	995
		Subtotal	3,351
CalStar Retail, Inc.	White	California Gourmet	1,464
		Packaged Food and Candy	1,034
		Subtotal	2,498
Tan Enterprises, Inc.	Asian	Tee Shirts	300
		Tee Shirts	354
		Team Sports	1,027
		Subtotal	1,681
Donnetta Stafford	African Am.	Travel Accessories	970
		Leather Goods	2,053
		Apothecary	1,684
		Subtotal	4,707
Pacific Gateway Concessions, LLC	Hispanic	Newsstand	473
		Newsstand	375
		News & Gift	906
		News & Gift	982
		News & Gift	892
		Packaged Food & Candy	1,222
		Subtotal	4,850
		DBE Sublease Total	17,087
		Master Concession Total	57,353
		DBE Total	**30%**

OCT-27-1999 17:20 FROM SFIA-BUS DEV & MGMT 103 TO 91415252046 P.05

Item 7 – File 99-0852

Note: The Port has requested that this request for the release of reserved funds be tabled by the Finance and Labor Committee.

Department: Port

Item: Hearing to consider the release of $769,103 in reserved funds for the Port.

Amount: $769,103

Source of Funds: Port funds previously appropriated and reserved for the Pier 35 Cruise Terminal Project. Through an accounting error, the Port completed the Pier 35 project using funds specifically appropriated by the Board of Supervisors for the Pier 52 Boat Ramp Project instead of requesting approval of a release of funds previously reserved by the Board of Supervisors for the Pier 35 Cruise Terminal Project.

Description: On May 29, 1995, the Board of Supervisors approved a supplemental appropriation for the Port in the amount of $2,993,539 (File 101-94-107). Such funds were to be used by the Port to fund five capital improvement projects listed below:

Project	Amount
Pier 35 Cruise Terminal	$1,391,663
Ferry Building Roof	250,000
Pier 70 Upgrades	250,000
Embarcadero Roadway Drainage	700,000
Ferry Building Shear Wall	401.780
Total	$2,993,443

The Board of Supervisors amended the proposed ordinance to place the entire $2,993,443 on reserve, pending (a) the Port's submission of contract cost details and (b) the detailed costs for the project work that is to be performed by Port personnel.

As shown in the table above, the supplemental appropriation included $1,391,663 in funding for the Pier 35 Cruise Terminal Project. The Port advised at that time that the total estimated cost of this project was $1,850,000 or $458,337 more than the requested $1,391,663. Expenditures were to be divided between

Port labor and construction contractors. According to the Port, the remaining balance of $458,337 was to be paid for by previously appropriated 1984 Port Revenue Bond Funds .

The Board of Supervisors has previously released $2,217,780 of the total $2,993,443 on reserve, including $616,000 for a portion of the work to be performed for the Pier 35 Cruise Terminal Project.

Therefore, the balance of funds remaining on reserve is $775,663 ($2,993,443 originally reserved less $2,217,780 released to date).

Despite the fact that the Port had only obtained approval for expenditure of reserved funds in the amount of $616,000, the Port is now reporting that the Pier 35 Cruise Terminal Project, originally estimated to cost $1,850,000, has been completed at a project cost of $1,792,971, using a combination of a construction contractor (a joint venture of CICO Construction and R&W Concrete Contractors at a cost of $904,566), Port labor ($550,184) and materials and supplies ($338,221).

The Port paid for the Pier 35 Cruise Terminal Project with a) the $616,000 in reserved funds that had been previously released by the Board of Supervisors Budget Committee for the Pier 35 Cruise Terminal Project, b) $407,868 in the previously appropriated 1984 Port Revenue Bond Funds for the Container Terminal Project at Pier 80, and c) $769,103 in funds that had been appropriated by the Board of Supervisors for the Pier 52 Boat Ramp Project and not the Pier 35 Cruise Terminal Project.

The Port is therefore now requesting a release of funds in the amount of $769,103 which were specifically reserved by the Board of Supervisors for the Pier 35 Cruise Terminal Project in order to reimburse the Pier 52 Boat Ramp Project because the Pier 52 project funds were mistakenly expended on the Pier 35 Cruise Terminal Project.

Comments:

1. The Attachment to this report is a memorandum from Mr. Ben Kutnick, the Port's Director off Finance and Administration, providing the Port's explanation for expending $769,103 specifically appropriated by the Board of Supervisors for the Pier 52 Boat Ramp Project on the Pier 35 Cruise Terminal Project instead of requesting that the Board of

Supervisors release the $769,103 specifically reserved for the Pier 35 Cruise Terminal Project.

The Budget Analyst has concluded that the reason for the inappropriate use of funds from another capital project for the execution of a construction contract to complete the Pier 35 project was an intentional alteration of a capital project expenditure approval document after its approval by the Port's Finance and Administration Division and other Port management in order to avoid the need to first obtain approval by the Board of Supervisors for the release of the $769,103 in reserved funds in order to proceed with the contract approval process.

Also, in the professional judgement of the Budget Analyst, the Port's Finance and Administration Division should have clearly noted on the expenditure approval form that Pier 35 Cruise Terminal Project funding for the construction contract was not available until the subject reserve had been released.

3. According to Mr. Kutnick, the Port's internal controls have been strengthened to prevent such acts in the future and that no similar problems have been found.

Recommendation: Table this request for the release of reserved funds as requested by the Port.

PORT OF SAN FRANCISCO

Ferry Building
San Francisco, CA 94111
Telephone 415 274 0400
Fax 415 274 0528
www.sfport.com

MEMORANDUM

October 29, 1999

TO: Ken Bruce
Budget Analyst Office

FROM: Benjamin A. Kutnick
Director of Finance & Administration

SUBJECT: Pier 35 Release of Reserve

I am writing at your request to address the issue of internal controls on capital project funds at the Port of San Francisco related to the Port's use of project funds not intended for the Pier 35 project instead of properly requesting a release of reserved funds.

A Capital Expenditure Approval Form must be approved by the Port's Finance & Administration Division before the Accounting Department will certify a contract from a specific source of funds. My division did in fact sign a request form requesting funds appropriated for this project that were on reserve assuming that the engineers would request make a request for their release through the Port's Governmental Affairs department. Subsequent to that approval the project number identifying the source of funding was changed. I have a copy of the form as it was approved and a copy of the form after the project number was changed. I do not know who made the change or why it was made.

Since this happened we have tightened the internal controls requiring all those that originally signed the approval form to initial it for any subsequent changes. In addition, in August 1997 we hired an accountant dedicated to project accounting. We have not had any similar problems nor do I expect to.

Please let me know if you have any questions.

Item 8 – File 99-1970

Department: Mayor's Office

Item: Resolution approving and authorizing the Treasure Island Development Authority to extend and modify an existing cooperative agreement with the Navy, for the one year period from October 1, 1999, through September 30, 2000, whereby the Treasure Island Development Authority will assume certain responsibilities regarding the operation and maintenance of Treasure Island, and the Navy will reimburse the Authority for such costs, up to $2.5 million.

Description: On May 2, 1997, the Board of Supervisors approved Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority (Authority) to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the Treasure Island and Yerba Buena Island (together, the Base) for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

In September of 1997, the Navy closed Treasure Island as an active naval base. The California Legislature subsequently approved the Treasure Island Conversion Act of 1997 which designated the Treasure Island Development Authority as a trustee of the State Tidelands Trust and as the Redevelopment Agency for Treasure Island.

On October 1, 1997, the City entered into a Cooperative Agreement with the Navy, with approval from the Board of Supervisors, in which the City agreed to assume responsibility for (1) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, (2) public health, security and safety services, (3) grounds and street maintenance and repair, (4) property management and caretaker services. The Navy agreed to reimburse the City for the costs thereof, up to a maximum of $4,000,000, for providing the above maintenance, security and other activities to the closed naval base for the one-year period from October 1, 1997

through September 30, 1998. According to Ms. Annemarie Conroy, Executive Director of the Authority, it is the policy of the Navy to fund only those services the Navy itself would perform on a closed Naval station.

Subsequently, the Cooperative Agreement was modified, with the approval of the Board of Supervisors (File 98-1751) to make the Authority, rather than the City, the party to the Cooperative Agreement, and the Cooperative Agreement was extended for an additional one-year period, from October 1, 1998, to September 30, 1999.

Attachment I, provided by the Authority, details the Authority's budget for FY 1998-1999 and FY 1999-2000. According to Ms. Conroy, the Authority's FY 1999-2000 budget, as previously approved by the Board of Supervisors totals $6,775,500. This amount includes $1,000,000 in Navy funds, paid to the Authority under the Cooperative Agreement, which were carried forward from Federal FY 1998-1999, $1,875,000 from Federal FY 1999-2000 revenues and $3,900,000 in revenues the Authority projects it will earn from special event use permits, commercial leases and housing leases. As part of the FY 1999-2000 budget preparation, the Authority's revenue projections were certified by the Controller's Office. According to Ms. Conroy, the Authority expects to meet this non-Federal revenue budget of $3,900,000 for FY 1999-2000.

Since the Navy will fund only those services that the Navy itself would perform on a closed Naval Station, the Authority earns the balance of needed revenues from revenues realized at the Treasure Island facilities leased from the Navy and excluded from the Cooperative Agreement funding. The $3,900,000 in non-Federal budgeted revenues includes $1,400,000 from special use permits (such as weddings, parties and business meetings), $1,200,000 from commercial leases (such as leases from film and television productions), and $1,200,000 from housing leases (per the lease awarded to the John Stewart Company by the Authority and approved by the Board of Supervisors on February 22, 1999 – File 99-0126). These revenues fund the cost of interim operations including activities related to

negotiations with the Navy for the transfer of the base to the City and long-term planning for the anticipated Treasure Island Redevelopment Project.

The proposed resolution would approve an extension and modification to the existing Cooperative Agreement between the Navy and the Treasure Island Development Authority. As in the existing agreement, the Authority would continue to be responsible for (1) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Base, (2) security, safety and public health services, (3) grounds and street maintenance and repair, (4) property management and caretaker services. Under the proposed modification, the Navy would reimburse the Authority for the Authority's services as noted above, up to a maximum of $2,500,000, for the one-year period from October 1, 1999 through September 30, 2000. Therefore, the proposed modification results in a reduction of $1,500,000 in the reimbursement amount paid to the Authority, from $4,000,000 to $2,500,000 per Federal Fiscal Year (October 1, 1999, through September 30, 2000).

After the extended term of the Cooperative Agreement expires, on September 30, 2000, the Navy has indicated to the Authority that it will not renew or extend the Cooperative Agreement. According to Ms. Conroy, increased lease revenues in future years will compensate for the loss of revenue from the Navy under the Cooperative Agreement.

Comments:

1. According to Ms. Conroy, the amount of the cooperative agreement is being reduced from $4,000,000 to $2,500,000, a reduction of $1,500,000, because the land area under lease from the Navy to the Authority has increased, and the land area under the Cooperative Agreement has therefore decreased, necessitating less services to be provided by the City on the land not leased by the Navy to the Authority. Attachment II is a memorandum from the Authority detailing the property currently leased from the Navy and the property covered by the Cooperative Agreement. Ms. Conroy reports that this increase in land leased from the Navy is the latest phase in the process of leasing all of the Navy property at

Treasure Island to the Treasure Island Development Authority.

2. Ms. Conroy notes that the Authority's budget is subject to approval by the Board of Supervisors and that most maintenance and other responsibilities in the subject Cooperative Agreement will be performed by City agencies. Services such as pest control, asbestos removal, janitorial, and certain machinery repair will be contracted to private companies. Attachment III contains a description of the services to be provided by the City at Treasure Island.

3. As previously noted, the subject Cooperative Agreement would provide reimbursement from the Navy to the Authority of up to $2,500,000 for maintenance and other expenses. The total FY 1999-2000 budget for the Authority, as previously approved by the Board of Supervisors, is $6,775,000, or $3,900,000 more than the $2,875,000 reimbursement to be paid by the Navy to the Authority for maintenance and other activities during FY 1999-2000. The Cooperative Agreement reimbursement amount for FY 1999-2000, $2,875,000, is greater than the $2,500,000 amount in the proposed modification to the Cooperative Agreement because the first three months of the City's FY 1999-2000 are covered by the previous Cooperative Agreement. One-fourth of the previous Cooperative Agreement payment of $4,000,000 ($1,000,000) and three-fourths of the proposed Cooperative Agreement payment of $2,500,000 ($1,875,000) is equal to $2,875,000.

4. As previously stated, the subject Cooperative Agreement is being extended by one year from October 1, 1999, through September 30, 2000. As such, this resolution should be amended to provide for retroactivity.

5. In summary, the proposed resolution would approve the modified Cooperative Agreement, under which the Authority would receive $1,500,000 less from the Navy than under the previous Cooperative Agreement because the land area under lease from the Navy to the Authority has increased, and the land area under the Cooperative Agreement has therefore decreased. According to the

Authority, however, this reduction will be offset by increased revenues derived from the property leased by the Navy to the Authority.

Recommendations: 1. Amend the proposed resolution to provide for retroactivity.

2. Based on a) prior approval by the Board of Supervisors of previous Cooperative Agreements, b) the existing plan for the Treasure Island Development Authority to lease all of the Navy property at Treasure Island, and c) prior approval by the Board of Supervisors of the Treasure Island Development Authority FY 1999-2000 budget which included reduced annual revenue from the Navy consistent with this proposed extension and modification of the Cooperative Agreement, approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

Attachment I

FY 1998 - 1999

	FY 98-99 Total Budget (NonCA + CA)	Non-Coop. Agreement Subtotal	Cooperative Agreement Subtotal	7/1/1998 through 9/30/1998	10/1/1998 thru 6/30/1999	*7/1/1999 thru 9/30/1999*
Revenue Budget	5,825,000	1,825,000	4,000,000	1,000,000	3,000,000	
Special Event Use Permits		525,000				
Commercial Leases		1,150,000				
Housing		150,000				
Expense Budget	5,825,000	1,825,000	4,000,000	1,000,000	3,000,000	*1,000,000*
Public Safety	1,895,000	395,000	1,500,000	375,000	1,125,000	*375,000*
Telephone Cable Maintenance	37,500		37,500	0	37,500	*12,500*
Grounds Maintenance	725,000	198,000	527,000	152,000	375,000	*125,000*
Building & Street Maintenance	1,338,812	190,812	1,148,000	248,000	900,000	*300,000*
CA/Personal Property Mgt	793,239	580,739	212,500	25,000	187,500	*62,500*
(includes personnel)	0		0			
Utility Maintenance	575,000	0	575,000	200,000	375,000	*125,000*
Special Events	38,570	38,570				
Contractual Services	421,879	421,879				

FY 1999 - 2000

	FY 99-00 Total Budget (NonCA + CA)	Non-Coop. Agreement Subtotal	Cooperative Agreement Subtotal	7/1/1999 through 9/30/1999	10/1/1999 thru 6/30/2000	*7/1/2000 thru 9/30/2000*
Revenue Budget	6,775,000	3,900,000	2,875,000	1,000,000	1,875,000	*625,000*
Special Event Use Permits		1,400,000				
Commercial Leases		1,200,000				
Housing		1,300,000				
	6,775,000	3,900,000	2,875,000	1,000,000	1,875,000	*625,000*
Expense Budget	1,850,133	1,231,383	618,750	375,000	243,750	*81,250*
Telephone Cable Maintenance	50,000		50,000	12,500	37,500	*12,500*
Grounds Maintenance	500,000	187,500	312,500	125,000	187,500	*62,500*
Building & Street Maintenance	1,710,366	500,516	1,209,750	300,000	909,750	*303,250*
CA/Personal Property Mgt	723,875	286,375	437,500	62,500	375,000	*125,000*
(includes personnel)	0		0			
Utility Maintenance	246,500	0	246,500	125,000	121,500	*40,500*
Special Events	105,820	105,820				
Contractual Services	1,588,306	1,588,306				

Source: Treasure Island Development Authority

To James Edison
Budget Analyst's Office
Fax # 252-0461

10-28-99 Info re Treasure Island's revenue generating leases

James, here is the info on TI's leases. I have asked for help in estimating the number of acres covered by the housing leases.

The Treasure Island Development Authority leases Treasure Island buildings and facilities from the US Navy for revenue generation to fund interim operations and long term planning activities. The Authority leases Treasure Island's Casa de la Vista, Chapel, Fogwatch, Nimitz Conference Center, Great Lawn and Building 180, and Yerba Buena Island's Nimitz House principally as venues for special events such as weddings, parties, picnics and business meetings. Buildings 2 and 3 (built as airplane hangars) are leased for movie and television production, and several smaller buildings, such as the former base library, are leased to private, for-profit enterprises. Other facilities, such as the fire fighting training facility and the brig, are leased to City agencies such as the Fire and Sheriff's Departments for their ongoing activities. The TI marina is leased to Treasure Island Enterprises (TIE) for interim marina operations while the TI Project and TIE negotiate the long term development of the marina.

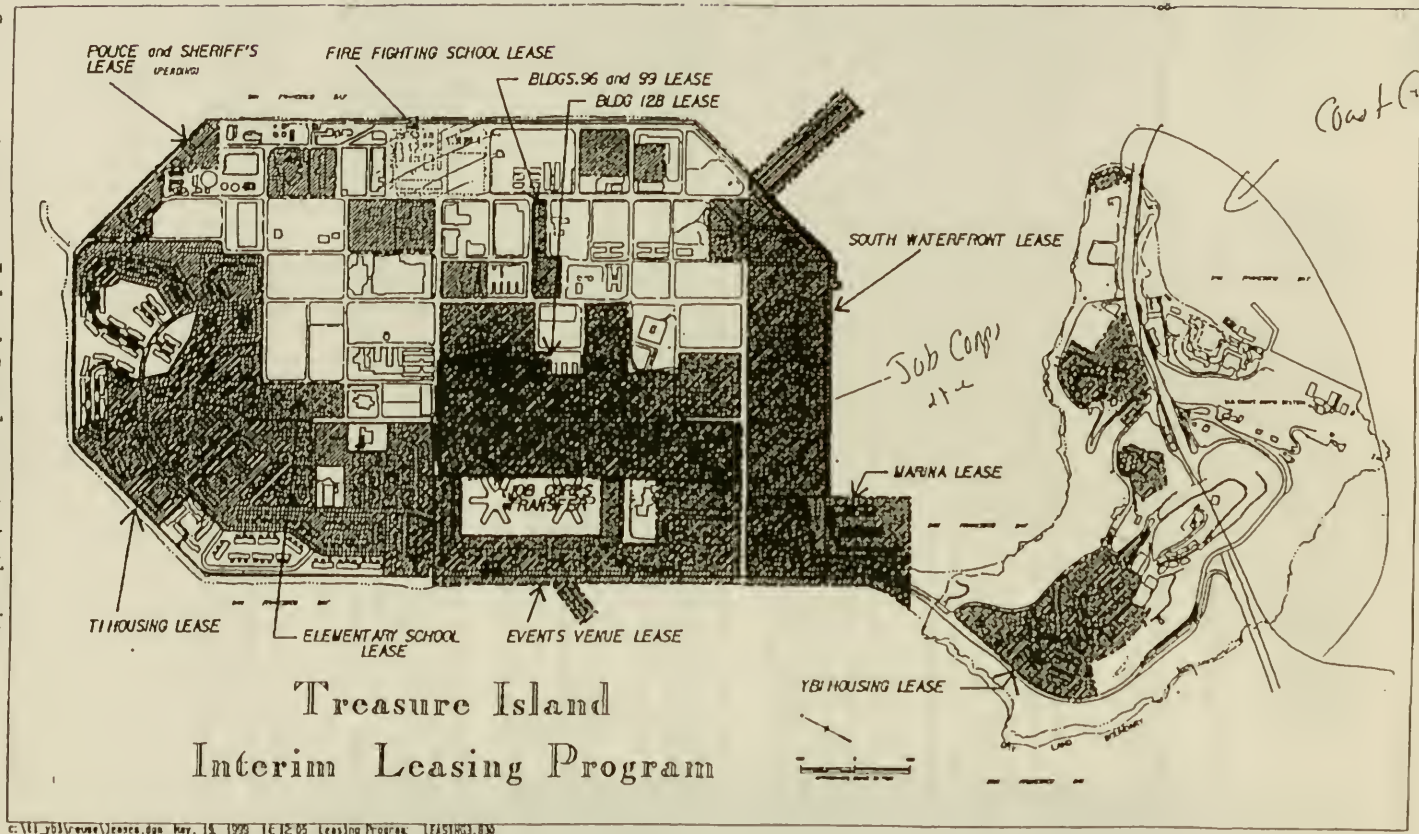
Housing on the former naval station is leased to the John Stewart Company (JSC) and organizations belonging to the Treasure Island Homeless Development Initiative (TIHDI). The JSC lease is for 766 units (574 units in phase 1 and 192 units in Phase 2). The leases to TIHDI member organizations include:

- Catholic Charities – 30 units
- Haight Ashbury Free Clinic – 18 units
- Swords to Plowshares 24 units
- Walden House 14 units

The housing leases were approved by the Board of Supervisors in March 1999, and it is the lease of the **approximately 70 acres** of housing that represents the largest shift in TI properties from maintenance responsibilities under the Cooperative Agreement to lease. For all leases with the Navy, the Authority must pay Common Area Maintenance (CAM) charges of $0.025/per square foot per month for interior space and $0.003 /per square foot per month for exterior space.

Attached is a map that shows the various areas of TI & YI under lease. The areas crosshatched in red, which are the housing areas, are about equal to all the other leased areas. The areas on TI that remain "without crosshatching" are the areas that the Authority maintains on behalf of the Navy.

Source: Treasure Island Development Authority



Source: Treasure Island Development Authority
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Attachment 1
Page 2 of 2

OCT 28 1999 12:04 FR CITY & CNTY HSE ISLANDS 27 555 TO 16502

to Jamel Edison 252-0461

Re City Departments operating on TI

The SFPD provides police services on TI and the SFFD provides fire protection and suppression services. DPW bureaus perform most of the building and street maintenance. TI streets are not leased by the Authority and are included in the Authority's caretaker operations. Similarly maintenance of the TI utility systems (also not leased by the Authority) is provided by the SFPUC. The PUC also earns revenues from TI's tenants for utility services. At the time of the housing lease, we estimated that the PUC would earn about $14 million from TI's residential tenants over the 7-year term of the housing lease.

Source: Treasure Island Development Authority

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99

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman and Tom Ammiano

Clerk: Mary Red

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, November 10, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

Meeting Convened

The meeting convened at 10:08 a.m.

992001 **[Recreation and Parks Bond Special Election]**

Supervisors Newsom, Kaufman, Leno, Ammiano, Bierman, Yaki, Teng, Becerril, Brown, Katz

Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, March 7, 2000, for the purpose of submitting to the voters of the City and County a proposition to incur the following bonded debt of the City and County: one hundred ten million dollars ($110,000,000) for the acquisition, construction and reconstruction of certain improvements to Recreation and Park facilities; finding that the estimated costs of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed projects; waiving certain requirements of Section 2.31 of the San Francisco Administrative Code relating to the introduction of public interest and necessity resolution; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest thereof; prescribing notice to be given of such election; consolidating the special election with the presidential primary election; establishing the election precincts, voting places and officers for the election; and waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510.

10/25/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Heidi Machen, Supervisor Newsom's Aide; Joel Robinson, Acting General Manager, Recreation and Park Department; Elizabeth Goldstein, Director of operations, Recreation and Park Department; Supervisor Yee; Supervisor Ammiano; Supervisor Bierman. In Support: Isabel Wade, Neighborhood Parks Council; Marybeth Wallace, Parent Advocates for Youth; John Rizzo, Sierra Club; Jane Winslow, Chair, Open Space Committee; Josefa Perez; Margaret Brodkin, Coleman Advocates; Donna Ursten, Friends of the Park. To Board meeting of November 15.

RECOMMENDED AS COMMITTEE REPORT by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

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991619 **[Establishment of Airport Special Event Account]**

Ordinance amending Administrative Code by adding Section 10.114-3 to establish an Airport Promotion and Event Account; allow for the acceptance of gifts by the Airport Commission; and, authorize the Airport Commission to expend monies in account. (Airport Commission)

(Fiscal impact; Adds Section 10.114-3.)

8/17/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

10/13/99, SUBSTITUTED Substituted by Airport Commission 10/13/99, bearing new title

10/13/99, ASSIGNED to Finance and Labor Committee

Continued to November 17, 1999

CONTINUED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991869 **[Approving amendment to the Post-Security Master/Retail Duty Free Concession Lease for the New International Terminal]**

Resolution approving Post-Security Master Retail Duty Free Concession Lease between DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/30/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

10/22/99, SUBSTITUTED Substituted by Airport Commission 10/22/99, bearing new title

10/22/99, ASSIGNED to Finance and Labor Committee

11/3/99, CONTINUED Heard in Committee Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport; Supervisor Yee Continued to November 10, 1999

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992006 **[Six month option to lease Fire Department property at 2350 19th Avenue to San Francisco Resource Center]**

Mayor

Resolution granting an option to lease certain City property under the purview of the Fire Commission to a nonprofit agency.

10/25/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Real Estate Department; Pam David, Mayor's Office of Community Development; Supervisor Ammiano; Supervisor Yee. In Support: Jeffrey Chin, S.F. Neighbors Resource Center; Dawning Chung, Asian Wellness Center; Richard Calton; Tommy Tang. To Board on November 22

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992018 **[Federal Grant to fund Municipal Railway and Port capital improvement projects including purchases of trolley coaches, light rail vehicles, diesel buses and rail replacement]**

Resolution authorizing the Public Transportation Commission to accept and expend $113,439,665 of Federal Congestion Mitigation and Air Quality Program (CMAQ), Surface Transportation Program (STP), and Section 5307 Capital Assistance for fourteen Municipal Railway capital projects, and one Port of San Francisco capital project, including $3,944,325 for administrative overhead costs. (Public Transportation Commission)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Gail Bloom, Public Transportation Commission. To Board meeting of November 15.

RECOMMENDED AS COMMITTEE REPORT by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991646 **[Interim Controls, Live/Work]**

Supervisors Ammiano, Bierman

Resolution imposing Interim Zoning Controls for a period of eight months to add live/work units to the definition of residential use in Article 8, Section 890.88 of the Planning Code; to delete the exemption from height limits for live/work units set forth in Planning Code Section 260(b)(2)(O), and to delete live/work units from the list of other uses set forth in Planning Code Section 227(p) and (q) and include live/work units in the list of dwellings set forth in Section 215; adopting findings pursuant to Planning Code Section 101.1.

8/23/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 9/22/1999. 8/31/99 - Transmitted to the Director of Planning for environmental review, pursuant to Section 306.7(c) of the Planning Code.

10/6/99 - From Planning Department, Certificate of Determination of Exemption/Exclusion from Environmental Review dated 10/4/99.

10/8/99, SUBSTITUTED. Substituted by the City Attorney bearing new title, 10/8/99.

10/8/99, ASSIGNED to Finance and Labor Committee. With request this item be calendared for the October 20, 1999 meeting.

10/20/99, CONTINUED TO CALL OF THE CHAIR.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

990652 **[Paramedic Services]**

Supervisors Yee, Newsom

Hearing to consider the cost of transferring paramedic services from the Health Department to the Fire Department.

4/5/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/6/99, CONTINUED TO CALL OF THE CHAIR.

10/27/99, CONTINUED. Continued to November 10, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Anne Kronenberg, Department of Public Health; Christine Wachsmuth, RN, MS, Administrator, Emergency Response, S.F. General Hospital; Dr. John Brown, Director, Emergency Services; Chief Robert Demmons, Fire Department; Dr. Marshal Isaacs, Fire Department; Russell McCallian, Chief of Operations, Fire Department; Richard Shorthall, Chief, Emergency Services; Debra Ward, Chief Financial Officer, Fire Department; Supervisor Yee; Ken Bruce, Budget Analyst's Office; Supervisor Bierman; Mark Hayes, Local 798, Firefighters' Union.

FILED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991941 **[Fire Department Overtime Expenditures]**

Supervisor Yee

Hearing to consider the Fire Department overtime expenditures.

10/12/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

10/27/99, CONTINUED Continued to November 10, 1999

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Debra Ward, Chief Financial Officer, Fire Department; Ken Bruce, Budget Analyst's Office; Ed Harrington, Controller; Mark Hayes, Local 798; Frank Martinez, Local 790; Jim Corrigan, Chief Robert Demmons, Fire Department; Supervisor Yee.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991334 **[Graduation Memorabilia]**

Supervisor Yee

Hearing to investigate the San Francisco Unified School bid process for graduation memorabilia.

7/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers. Supervisor Yee, Sarah Pearce, student, Lowell High School; John Quinn, Assistant Superintendent of Schools; John Mahoney, Assistant Principal, Lowell High School; Supervisor Yee

FILED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

ADJOURNMENT

The meeting adjourned at 12:40 p.m.

Public Library,Gov't Info. Ctr., 5th Flr.
Attn: *Susan Hom*

.254

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

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November 5, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: November 10, 1999 Finance and Labor Committee Meeting

Item 1 – File 99-2001

Department: Recreation and Park Department

Item: Ordinance calling and providing for a special election to be held in the City and County of San Francisco on Tuesday, March 7, 2000, for the purpose of submitting to the voters of the City and County of San Francisco a proposition to incur bonded indebtedness of the City and County in the amount of $110,000,000 for the acquisition, construction and reconstruction of certain improvements to Recreation and Park Facilities; finding that the estimated cost of such proposed project is and will be too great to be paid out of the ordinary annual income and revenue of the City and County and will require expenditures greater than the amount allowed therefor by the annual tax levy; reciting the estimated cost of such proposed project; waiving certain requirements of Section 2.31 of the San Francisco Administrative Code relating to the introduction of public interest and necessity resolution; fixing the date of election and the manner of holding such election and the procedure for voting for or against the proposition; fixing the maximum rate of interest on such bonds and providing for the levy and collection of taxes to pay both principal and interest thereof; prescribing notice to be given of such election;

consolidating the special election with the Presidential Primary Election; establishing the election precincts, voting places and officers for the election; and waiving the word limitation on ballot propositions imposed by San Francisco Municipal Elections Code Section 510.

Description:

The State General Obligation Bond Law requires that, in order for the City to issue General Obligation Bonds, a resolution of public convenience and necessity must first be adopted by a two-thirds vote of the Board of Supervisors, and the proposed bonds must then be approved by two-thirds of the electorate. On October 25, 1999, the Board of Supervisors approved a resolution declaring that the public interest and necessity demand the acquisition, construction and reconstruction of certain improvements to Recreation and Park facilities by the City and County (File 99-1769).

The proposed ordinance would provide for a Special Election to be held and consolidated with the Presidential Primary Election scheduled to be held on March 7, 2000, in order to submit to the voters a proposition to incur bonded indebtedness of the City and County, in the principal amount of $110,000,000, for the acquisition, construction and reconstruction of certain improvements to Recreation and Park facilities.

The proposed $110,000,000 General Obligation Bond Issue for the Recreation and Park Department would be issued over a five-year period, beginning in October of 2000, to provide $110,000,000 of the estimated total projects costs of $380,000,000 for the renovation and construction of Recreation and Park Department facilities. The balance of $270,000,000 ($380,000,000 less $110,000,000) will be provided from the funding sources detailed in the Attachment, provided by Ms. Elizabeth Goldstein of the Recreation and Park Department. Such funding sources are contingent on approval of Charter Amendments, State voter approval, Congressional approval and private donations.

According to the Bond Program Report, provided by Ms. Goldstein, the bond funds will be used for the general rehabilitation and/or replacement of deteriorated

Recreation and Park Department facilities. Specifically, the bond program will provide funding for the improvement of major recreation centers and clubhouses, pools, restrooms, playgrounds, park infrastructure, landscape, reforestation and erosion control, courts and playing fields, and land acquisition.

Budget:

The total cost of all the proposed projects is estimated to be approximately $380,000,000. The Attachment provided by the Recreation and Park Department is a memorandum which contains the estimated costs of each of the capital improvement projects totaling $380,000,000, as well as each of the funding sources to pay for the project, including the subject request of $110,000,000 in General Obligation Bonds. This memorandum also identifies the status of each of these funding sources.

Comments:

1. According to Ms. Laura Bordelon of the Mayor's Office of Public Finance, the City Charter provides for a legal debt limit of three percent of net assessed property value. The Mayor's Office of Public Finance has calculated the City's Debt Limit Ratio as follows:

Total Debt Limit for FY 1999-2000	$2,114,446,916
Estimated Outstanding General Obligation Bonds as of June 30, 1999	967,925,000
Remaining General Obligation Capacity	$1,146,521,916

However, it should also be noted that the Laguna Honda Hospital General Obligation Bond measure for $299,000,000 is on the November 2, 1999, ballot, which if approved by the voters would further reduce the City's remaining General Obligation bonding capacity to $847,521,916.

2. If the subject bond issue of $110,000,000 proposed for the March 7, 2000, ballot were to be approved by voters, and all $110,000,000 in bonds were issued in FY 1999-2000, the remaining General Obligation bonding capacity would be $737,521,916. However, pursuant to the proposed plan of the Recreation and Park Department, Ms. Bordelon advises that the Recreation and Park Department bonds are anticipated to be sold in five separate issuances, within approximately five years after

approval, thus allowing for a slightly larger General Obligation bonding capacity to remain until the subsequent bonds are sold. According to Ms. Bordelon, the amount of debt that could be issued in any given year is partly a function of the level of payments on existing debt, which fluctuates as older bond issues are retired and new bonds are issued.

File 99-1964 is another ordinance providing for a special election on March 7, 2000, passed by the Board of Supervisors on first reading, which would result in the City's incurring $87,445,000 of General Obligation Bonds for the California Academy of Sciences. If that $87,445,000 Academy of Sciences General Obligation Bond measure is also approved, and all $87,445,000 in bonds were issued in FY 1999-2000, it would further reduce the City's General Obligation bonding capacity to $650,076,916.

3. According to Ms. Bordelon, assuming the bonds are issued in an interest rate environment that reflects the norms for the past ten years, the proposed bonds would bear a true interest cost of 6.0 percent. It is anticipated that there will be five separate bond issuances, $20,000,000 in October of 2000, $25,000,000 in October of 2001, $35,000,000 in October of 2002, $15,000,000 in October of 2003 and $15,000,000 in October of 2004. Upon issuance of the entire $110,000,000, the average annual debt service would be approximately $9,627,175 and the total debt service would be $192,543,500 for the proposed 20-year bond period.

4. According to Ms. Ann Carey of the Controller's Office, if $110,000,000 in bonds were to be issued, the bonds would result in an increase in the Property Tax rate of approximately $0.01420 per $100 of assessed value. At this rate, the owner of a single-family residence assessed at $400,000, assuming the $7,000 homeowner's exemption, would pay an average of $55.81 in additional annual Property Taxes beginning in FY2000-2001.

5. As shown in the Attachment provided by the Recreation and Park Department, the $270,000,000 in other funding sources needed for this project are contingent on approval of Charter Amendments, State voter approval, Congressional approval and private donations. Ms. Goldstein reports that any shortfall in such anticipated funding sources will result in a reduction of the project, and that to the extent such funds are not received, the project will be scaled back.

6. The proposed ordinance would waive any and all of the requirements set forth in Section 2.31 of the City's Administrative Code relating to the timely introduction of public interest and necessity resolutions that are or may become applicable to actions of the Board of Supervisors necessary for the submission of this proposition. According to Mr. David Sanchez of the City Attorney's Office, this provision is necessary because the deadline date was September 20, 1999, for the introduction of the resolution determining and declaring the public interest and necessity for the Recreation and Park Department capital improvements at an estimated cost of $110,000,000 for the March 7, 2000, ballot (File 99-1769). However, Mr. Sanchez notes that this resolution was not introduced on September 20, 1999, because the Board of Supervisors did not meet on that date due to the Jewish holiday of Yom Kippur. Mr. Sanchez advises that the resolution was, however, introduced on the following day, September 21, 1999, when the Board of Supervisors convened.

7. The proposed ordinance would also waive the word limit for ballot propositions imposed by the San Francisco Municipal Elections Code Section 510. According to Ms. Naomi Nishioka of the Department of Elections, in accordance with the local Elections Code, the current word limit for such ballot propositions is 30 words. The Budget Analyst notes that the proposed ordinance currently contains 37 words, or seven words more than the limit. Ms. Nishioka reports that it is not uncommon for General Obligation Bond measures to exceed the word limits imposed by the local Elections Code. Although the proposed $110,000,000 Recreation and Park Department General Obligation Bond measure exceeds the local

Elections Code word limit, Mr. Nishioka advises that it is not likely to result in any significant impacts on the cost of the election.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

City and County of San Francisco Recreation and Park Department

October 14, 1999

Mr. James Edison
Office of Harvey Rose
Budget Analyst
Fox Plaza
1390 Market, Suite 1025
San Francisco, CA 94102

Dear Mr. Edison:

You requested additional information regarding the potential sources of funds that we have identified in our application for the park bond. The potential uses and sources of the funds are outlined in the attached tables. It is important to note that these tables refer to the Department's total projected capital need based a series of studies and conditions investigations done over the last few years.

The following is the status of the various funding sources referred to in the table of potential sources of funds.

Open Space Fund: Charter section 16.107 sets aside an amount equal to .025 cents for every $100 assessed vaulation from the annual tax levy to be deposited into the Fund. The fund currently reaps the Department approximately $16 million annually from property taxes. Charter section 16.107 is due to sunset in fiscal year 2004-05. Supervisor Gavin Newsom introduced a Charter amendment to be placed on the March 2000 ballot, at the Board of Supervisors on October 12 to extend the Open Space Fund for 30 years. (See Charter Amendment language – section (b)- page 2.) The Open Space Fund currently supplies the only steady source of capital and land acquisition funding that the Department receives. The fund also supports other programs such as the Natural Areas Management Program, Community Gardens and After-School Programs. The Charter amendment would allow the Department to dedicate new or enhanced revenues to these programs. As the Open Space Fund grows and Department revenues grow, we anticipate increasing the amount spent out of the Fund for capital and land acquisition purposes.

State Funding: The State Legislature has passed, and the Governor has signed, a bond package entitled the Villaraigosa-Keeley Urban Parks, Clean Water, and Coastal Protection Bond Act of 2000. This bond proposal goes before the electorate in March, 2000. The State bond package includes a competitive municipal grant program of $500 million. Most of the urban parks funding is targeted for the state's densest cities, including San Francisco. It also

McLaren Lodge, Golden Gate Park
501 Stanyan Street
San Francisco, CA 94117-1898

Phone: (415) 831-2779
Fax: (415) 831-2096

includes a specific allocation for Golden Gate Park of $15 million. We have conservatively estimated that we will be able to win $30 million from this bond. This estimate is based on the various program categories that the City would be eligible for and a general apportioning throughout the state. A less conservative estimate might be $50-60 million.
In addition to the State Park bond program, the State has a number of granting programs that the Department is eligible for. For instance, we currently have three grants before the California Coastal Conservancy for almost $1 million. We have received positive feedback on these proposals and anticipate some resolution by early in the calendar year.

Federal Funding: The Land and Water Conservation Fund was created by Congress several decades ago. It dedicates off-shore oil revenues to a number of environmental and park-related programs. However, over the last decade or so Congress has authorized very little funding for park purposes. Congress is currently considering several pieces of legislation that would increase the money flowing through the program. One of the major elements is an enhanced municipal granting program that would come through the states. In the past, San Francisco has been the recipient of funds from the Land and Water Conservation Fund. We anticipate passage of one of these pieces of legislation in the next month or so.

Revenue and Lease Bonds: If passed by the voters the amendment to Charter section 16.107 allows the Board of Supervisors to authorize the issuance of revenue bonds or other instruments of indebtedness. (Please Charter Amendment language – Section (d) on page 3.) This capacity would be used in those instances when key capital needs such as land acquisition or a specific capital project outstrips the bond or other Open Space funding available.

Private Donations: The Friends of Recreation and Park currently raises $3.5 million a year for park projects. The $40 million goal for private donations represents an annual goal of $4 million over current actuals. The Conservatory of Flowers and other recent efforts have given the Department and the Friends confidence that these goals are achievable.

I hope this information is helpful. Please let me know if you have any additional questions.

Sincerely,

Elizabeth Goldstein
Director of Operational and Physical Planning

Capital Needs*	
Buildings	
Clubhouses (40)	$ 39.6
Pools (7)	35.5
Recreation Centers (14)	107.3
Subtotal	$178.0
Parks^	
Neighborhood Parks (105)	$104.0
Major Parks (49)	48.0
Subtotal	$152.0
Golden Gate Park	$ 50.0
Total	$380.0

*In millions of dollars
+Over ten year period.
^Urban forestry is included as work item in other categories.

Potential Sources of Funds for Capital Needs+	
Open Space Fund ($15/year)	$150.0
State Funding	30.0
Federal Funding (L&WCF)	30.0
GO Bond	110.0
Revenue or Lease Bond	20.0
Private Donations	40.0
Total	$380.0

*In millions of dollars
+Over ten year period.

Item 2 – File 99-1619

Department: Airport

Item: Ordinance amending Article XIII, Chapter X of the Administrative Code by adding Section 10.114-3 to establish a new Special Account known as the "Airport Promotion and Event Account"; to authorize the Airport Commission to accept cash donations, property, and personal services which would accrue to the Special Account; to authorize the Airport Commission to expend monies from the Special Account; to carry over unexpended monies in the Special Account from one fiscal year to the next; and to require quarterly reports to the Board of Supervisors on revenues to, and expenditures from, the Special Account.

Comment: The Chair of the Finance and Labor Committee, in consultation with the Airport, has requested that this item be continued for one week.

Recommendation: In accordance with the Comment above, continue the proposed ordinance for one week.

Item 3 - File 99-1869

Note: This item was continued by the Finance and Labor Committee at its meeting of November 3, 1999.

Department:	Airport
Item:	Resolution authorizing modifications to Lease No. 99-0035 between the DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission.
Location:	New International Terminal Building (ITB) of the Airport
Lessor:	City and County of San Francisco, acting by and through its Airport Commission
Lessee:	The DFS Group L.P., a Delaware limited partnership ("DFS")
Effective Date of Lease Modifications:	May of 2000

Description:

The Airport and DFS have negotiated Lease No. 99-0035 for "post-security" retail spaces which are located beyond the security checkpoints in the new ITB. The subject ten-year concession lease, which has yet to be signed but which is due to commence at the opening of the new ITB in May of 2000 and to expire in May of 2010, would cover 52,946 square feet at 27 locations in the new ITB[1]. This lease was approved by the Board of Supervisors on April 5, 1999 (Resolution No. 283-99). Under the subject concession lease, DFS would be responsible for both the direct provision of duty free[2] retail stores and the subleasing of non-duty free[3] retail stores. The table included in the Attachment to this report provided by the Airport lists (a) DFS's proposed subtenants, (b) each subtenant's Disadvantaged Business Enterprise (DBE) status, (c) the retail facilities each subtenant would provide, and (d) the square footage of each subleased space. These subtenants would occupy a total of 17,087

[1] Ms. Lorri Vasquez of the Airport states that the reference in Lease No. 99-0035 to a total of 51,914 square feet was based on approximate figures which have since been revised so that the approximate total space covered by the existing lease is actually 52,946 square feet.
[2] "Duty free" merchandise is defined as goods sold without taxation to international travelers for consumption outside of the United States of America.
[3] "Non-duty free" merchandise is defined as goods that are taxed at the point of sale.

square feet, or 30 percent of the total 57,353 square feet designated under the DFS concession lease.

The proposed resolution would modify the concession lease between DFS and the Airport as follows:

(1) The addition of 4,407 square feet of "pre-security" retail space, which increases the total amount of space covered by the subject concession lease from 52,946 square feet in 27 locations to 57,353 square feet in 29 locations in the new ITB. The additional 4,407 square feet of space is located before the security checkpoints in the new ITB, for two additional retail locations: (a) an 1,684 square foot Apothecary Store, which would sell various items sold in a standard drugstore, and (b) a 2,723 square foot Unisex Apparel Store, which would sell casual clothing. These two stores would have a five year term from May of 2000 to May of 2005 which the Airport can extend by one additional five year extension term for either or both stores.

(2) Delegation to the Airport, pursuant to Section 1.2 of the concession lease, of the ability to modify the future size and usage of the retail space being leased to DFS without subsequent Board of Supervisors approval.

Comments:

1. The concession lease would require DFS to pay the Airport the greater of the two following amounts in rent: either (a) a minimum annual guarantee of $26,100,000 which can be increased annually according to composite changes in the Consumer Price Index and passenger traffic, as set out in the concession lease, or (b) a percentage of annual gross revenues which is calculated on the following basis:

Annual Gross Revenues	Duty Free	Non-Duty Free
Up to and including $50,000,000	15%	12%
$50,000,000.01 - $100,000,000	20%	14%
Over $100,000,000	25%	16%

By comparison to the above noted minimum annual guarantee of $26,100,000, in FY 1998-99 DFS paid the Airport $20,700,000 in rent, according to Mr. Peter Nardoza of the Airport.

2. Under the proposed modifications to the previously approved DFS concession lease, which would provide 4,407 additional square feet for an Apothecary Store and a Unisex Apparel Store, DFS would not pay an additional minimum annual guarantee to the Airport. DFS would only be required to pay the Airport rent for those stores on the basis of a percentage of annual gross revenues, calculated as follows:

Annual Gross Revenues	Percentage Rent
Up to and including $500,000	12%
$500,001 up to and including $1,000,000	14%
Over $1,000,000	16%

3. DFS would sublease the Apothecary Store retail space to Ms. Donnetta Stafford, a DBE owner who has already entered into two subleases with DFS for a Travel Accessories Store and a Leather Goods Store at the new ITB. Ms. Stafford also subleases retail space from DFS for a "health and herb concept" store in the existing International Terminal which sells some merchandise that is comparable to the merchandise which would be sold through her Apothecary Store in the new ITB.

DFS would operate the Unisex Apparel Store retail space under a licensing agreement with Esprit. According to Ms. Vasquez, the Unisex Apparel Store would be the first single brand unisex apparel store in the Airport.

4. Under the proposed modification to Section 1.2 of the concession lease, the Airport would be authorized to make the following changes to the concession lease, without subsequent approval from the Board of Supervisors:

(a) relocate, expand, and/or contract the Lessee's premises if such relocation, expansion, and/or contraction is in the Airport's best interests;

(b) permit a change in concept for a facility covered by the concession lease if such a concept change is in the Airport's best interests (for example, if the Airport's passenger profile indicated that there was no longer a need for a Unisex Apparel Store, but that there was a need for another category of store or restaurant); and

(c) enter into the modifications to the concession lease which are necessary to implement such relocations, expansions, contractions, and/or changes in concept.

5. The Budget Analyst recommends that the Airport renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store.

In response to the Budget Analyst's recommendation, Ms. Vasquez states that it would be inappropriate for the Airport to re-open negotiations with DFS over the proposed amendments given that this could jeopardize the signing of Lease No. 99-0035 approved by the Board of Supervisors on April 5, 1999. Ms. Vasquez states that the negotiations have had to address not only revenue issues, but also the Airport's desire to provide a range of services to the traveling public while dealing with complex retail industry and property management practices, within the context of a significant drop in sales for the duty free industry over the last two years. Ms. Vasquez states that DFS will be paying the Airport (a) a minimum annual guarantee of at least $261,000,000 over the ten-year term of the concession lease, and (b) additional rent from the proposed Apothecary and Unisex Apparel Stores. Ms. Vasquez states that DFS has agreed to add the 4,407 square feet for Apothecary and Unisex Apparel Stores to its concession lease as a favor to the Airport, given its longstanding business relationship and mutual goal of offering services to the traveling public. According to Ms. Vasquez, DFS's agreement to assume responsibility for the additional space is in spite of two issues: (a) DFS will not gain any revenue from the Apothecary Store because the percentage rent required for this store by the Airport from DFS is exactly the same as the percentage rent

required by DFS from the subtenant, therefore rendering the subtenant's rent payment a direct pass-through to the Airport, and (b) both the Apothecary and Unisex Apparel Stores are unproven retail concepts with unknown revenue potential which the Airport was previously unsuccessful in bidding out.

6. In the professional judgement of the Budget Analyst, all retail space at the Airport is commercially valuable and, therefore, an upward adjustment of the minimum annual guarantee payable by DFS to the Airport for the addition of 4,407 square feet to its concession lease is fully warranted.

Recommendation: Continue this proposed resolution and request the Airport to renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store.

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr. Mayor
Henry E. Berman President
Larry Mazzola Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

October 27, 1999

Via Fax (415-252-0461)
Mr. Alan Gibson
Budget Analyst
Budget Analyst's Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: Post-Security Master Retail/Duty Free Concession Lease ("Lease")

Dear Alan:

Thank you again for your ongoing patience and assistance with this project. Set forth below are the answers to your questions of October 27, 1999.

(a) What is the Airport trying to achieve by providing Apothecary and Unisex Apparel Stores?

By providing an Apothecary Store and Unisex Apparel Store, the Airport is achieving the following goals:

(1) Prevents these stores from being closed when the New International Terminal opens;
(2) Provides a sophisticated variety of retail shopping facilities and avoid "cannibalizing" the other facilities;
(3) Responds to the surveys which show that Airport patrons repeatedly request a facility selling drugstore/apothecary products;
(4) Have in the Airport clothing products representing San Francisco-based manufacturers; and
(5) Achieves DBE goals.

DFS will sublease a portion of the space to Donnetta Stafford, a local DBE, for an apothecary store. An Esprit store will be operated in the remaining space. Esprit is a local San Francisco-based company. Attached is the DBE Subleasing Plan, which achieves the 30% DBE goal.

(b) Why were there no bidders for the proposed Apothecary and Unisex Apparel Stores? What particular elements of the bid requirements were deemed too restrictive by potential bidders for each store?

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Set forth below is our understanding of why potential bidders declined to bid on these facilities when originally offered:

(1) It appears that the lease specifications (ie. Minimum Annual Guarantee, percentage rent, improvement costs, etc.) were too high.
(2) Some of the regionally-branded drugstore/apothecary stores stated that the facility was too small compared to the size they are used to.
(3) Prospective bidders advised staff that they did not bid given that the concepts were relatively new to the Airport and no one knew their revenue potential.
(4) The retail market is strong, and the Airport must compete with other locations for strong concessionaires. Many regionally-branded drugstore/apothecary stores stated that this location did not fit within their business plan of building in local neighborhoods.
(5) Finally, many concessionaires who might otherwise have bid for these facilities were already committed to other Airport projects.

(c) Why did the DFS Group agree to take over the two retail spaces given that (a) the sublease revenue from Donnetta Stafford will be a pass-through, and (b) there is no guarantee that they will make a profit from the Unisex Apparel Store.

The Airport staff requested that DFS take these two additional spaces. Although we do not know the reason they were able to accommodate the Airport's request, it may relate to DFS's and the Airport's shared goal of creating a sophisticated and convenient shopping experience for the travelling public.

(d) Why did Donnetta Stafford agree to sublease from DFS Group, if she didn't bid or wasn't previously prepared to enter into a direct concession agreement with the Airport? What has changed in the lease requirements to make the proposition more attractive?

Donnetta Stafford currently has a sublease agreement with DFS, and we understand that she is comfortable working with DFS. DFS provides a lot of tenant support for smaller operators, such as assistance with tenant build-outs and training. Many small operators like the support of a larger operator.

(e) Please explain Esprit's relationship to DFS Group with regard to the licensing agreement for the Unisex Apparel Store – why has Esprit agreed to enter this arrangement when it wasn't previously prepared to bid for/enter into (whichever applies) a direct concession agreement with the Airport?

DFS entered into a licensing agreement with Esprit to sell and display Esprit merchandise. We understand that in December 1998, when the Airport requested bids for the Unisex Apparel Lease, Esprit was undergoing a change of management and was timid about venturing into an airport retail venue with which they had no experience. Also DFS' experience in Airport retail would provide Esprit (and Ms. Stafford) the opportunity to better their retail success.

(f) Reasons for not increasing the Minimum Annual Guarantee to reflect the 8.3 percent increase in revenue-generating retail facility space being leased by the DFS Group.

First, we determined that it does not make sense to apply a Minimum Annual Guarantee to these additional facilities given that these concepts are not proven and the concessionaires are timid. After receiving no bids on the original packages, staff determined that there appears to be a disconnect between Airport desires and retailers' business plans. In this context, the Airport determined that percentage rent would be appropriate. Again, with the addition of these two facilities, rent paid to the Airport *will* increase.

Second, even if the Airport were to apply a MAG to these facilities, it does not make sense to increase the MAG by 8.3% because most of the current MAG is driven by the duty-free facilities, not these types of facilities. Given that the profit margins and revenue generation will vary greatly by concept, a pro rata calculation of MAG will not work. These facilities would not be able to support a MAG that high.

(g) What are the reasons for allowing the Airport to amend the Lease in Certain Respects without prior approval made by the Board of Supervisors?

Due to the length of the term and complexity of the merchandise mix contained within this Lease, the Airport Commission authorized the Airport Director to amend the Lease to expand, contract, and relocate the premises and/or change a concept, provided the same is in best interests of the City. This authorization would minimize the administrative burden on the Airport Commission and the Board of Supervisors for minor amendments. For example, if the watch store turned out to be a lousy concept, the Airport would like the flexibility to replace that facility with a different concept, perhaps one that is more fully-developed in two or three years. Of course, the Airport will still subject any such amendments to the other applicable City requirements.

Finally, please recall that although we believe the Airport market is generally strong, we only had one bidder on this Lease, DFS. Given that the Airport is the gateway to the City, we know you share our goal of creating a positive shopping environment representative of San Francisco. We believe that this amendment will do so.

Per your request, attached is DBE Subleasing Plan. Should you have any additional questions, please call me at (650) 794-4500.

Very truly yours,

Lorri A. Vasquez
Assistant Deputy Airport Director
Concession Development and Management

Cc: Bob Rhoades
Attachment
JT:ep/sm

POST-SECURITY MASTER RETAIL/DUTY FREE CONCESSION LEASE
DBE SUBLEASING PLAN

DBE Subtenant	Ethnicity	Retail Concept	Square Footage
RDG Concessions	African Am.	Sunglasses	500
		Watches	1,856
		Travel Accessories	995
		Subtotal	3,351
CalStar Retail, Inc.	White	California Gourmet	1,464
		Packaged Food and Candy	1,034
		Subtotal	2,498
Tan Enterprises, Inc.	Asian	Tee Shirts	300
		Tee Shirts	354
		Team Sports	1,027
		Subtotal	1,681
Donnetta Stafford	African Am.	Travel Accessories	970
		Leather Goods	2,053
		Apothecary	1,684
		Subtotal	4,707
Pacific Gateway Concessions, LLC	Hispanic	Newsstand	473
		Newsstand	375
		News & Gift	905
		News & Gift	982
		News & Gift	892
		Packaged Food & Candy	1,222
		Subtotal	4,850
		DBE Sublease Total	17,087
		Master Concession Total	57,353
		DBE Total	**30%**

Item 4 – File 99-2006

Department:	Department of Real Estate (DRE) Mayor's Office of Community Development (MOCD)
Item:	Resolution authorizing the Department of Real Estate to grant a six-month option to the San Francisco Neighborhood Resource Center, a nonprofit agency, for that agency to lease a vacant City-owned property.
Location:	2350 19th Avenue
Term of Lease:	One year, and an unlimited number of one-year extensions, which must be exercised by both the San Francisco Neighborhood Resource Center as the lessee and the City as lessor.
Annual Rental Rate Payable to the City:	$1.00
Description:	The proposed resolution would authorize the Department of Real Estate (DRE) to grant a six-month option to the San Francisco Neighborhood Resource Center, a nonprofit agency, to lease, for an annual rent of $1.00, a vacant City-owned building and parking lot, consisting of 12,500 square feet, at 2350 19th Avenue. The San Francisco Neighborhood Resource Center proposes to use the subject property to provide information and referral services to residents of the Sunset District, with a particular emphasis on providing services to the Chinese community.
Comments:	1. According to Mr. Gene Coleman of the Mayor's Office of Community Development (MOCD), several City departments, including MOCD, the Department of Children, Youth and their Families, and the Commission on the Aging, have identified an acute need for additional sites in the Sunset District to provide information and referral services to immigrant and non-English speaking residents of the Sunset District. Mr. Coleman states that MOCD awarded a $30,000 planning grant to the San Francisco Neighborhood Resource Center to design and coordinate appropriate information and referral services

for the target population in the Sunset District. However, Mr. Coleman reports that the San Francisco Neighborhood Resource Center has not been able to locate suitable sites for the delivery of such information and referral services in the Sunset District. Therefore, according to Mr. Coleman and Mr. Harry Quinn of DRE, MOCD and DRE have recommended that the vacant property at 2350 19th Avenue, be leased to the San Francisco Neighborhood Resource Center for the delivery of information and referral services to the target population. According to Mr. Quinn, the Fire Department previously used the subject property for the Fire Department's Stress Unit and for a limited amount of storage. According to Deputy Chief Patrick White of the Fire Department, the Stress Unit, formerly located in the property at 2350 19th Avenue, is now located at the Ferry Property, Room 280.

2. Mr. Quinn states that the proposed resolution would authorize DRE to grant a six-month option to the San Francisco Neighborhood Resource Center to enable the Center to lease the subject City-owned property. Mr. Coleman of MOCD advises that the purpose of the six-month option to lease the subject property is to permit the San Francisco Neighborhood Resource Center to (a) apply for the required conditional use permit and obtain Master Plan approval from the Planning Department, (b) complete the environmental review process, if required, (c) make any necessary improvements to the subject property to meet disability access requirements at no cost to the City, and (e) obtain 501(c)(3) nonprofit tax status from the Internal Revenue Service. Mr. Coleman states that none of the conditions noted above have yet been met.

3. According to Mr. Quinn, the subject 12,500 square foot property has a fair market lease value of approximately $58,800 per year. Mr. Quinn states that a nominal rental rate of $1.00 per year would be charged to the San Francisco Neighborhood Resource Center because the Center would serve a public purpose.

4. According to Mr. Quinn, if the option to lease were exercised, the future lease agreement between the City

and San Francisco Neighborhood Resource Center would require Board of Supervisors approval.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 5 - File 99-2018

Department:	Public Transportation Commission Municipal Railway (MUNI) Port
Item:	Resolution authorizing the Public Transportation Commission to accept and expend $113,439,665 of grant funds for 14 Municipal Railway capital projects and one Port capital project.
Amount:	$113,439,665
Source of Funds:	Federal Transit Administration (FTA) disbursement of Federal formula-apportioned capital assistance funds comprising (a) $72,299,553 from the Federal Congestion Mitigation and Air Quality Program (CMAQ) and the Surface Transportation Program (STP), and (b) $41,140,112 from FTA Section 5307 capital assistance funds.
Grant Period:	According to Ms. Gail Bloom of the Public Transportation Commission, there is no date by which the subject grant monies must be expended.
Description:	The proposed resolution would authorize the Public Transportation Commission to accept and expend $113,439,665 of Federal capital assistance funding which would contribute part of the total funding required for the 15 capital projects listed in the Table below. A more detailed summary of the subject grant's funding sources and the planned expenditures totaling $113,434,665 is contained in Attachment I provided by Ms. Bloom. The total project budgets of $1,137,112,800 for the 15 projects to which the subject grant contributes the $113,439,665 are contained in Attachment II provided by Ms. Bloom.

MUNI projects which would receive funding from the subject grant	Federal grant contribution
1. Accessible Van/Debt Card	$1,630,000
2. Cable Car Infrastructure	500,000
3. Cable Car Vehicle Rehabilitation	822,815
4. Diesel Bus Purchase	10,000,000
5. Historic Vehicle Program	2,500,000
6. Islais Creek Maintenance Facility	3,958,000
7. Light Rail Vehicle Purchase	25,000,000
8. MUNI Metro Accessibility Improvements	1,347,297
9. MUNI Metro Subway Improvements	1,175,000
10. Rail Replacement	20,954,000
11. Bus-stop Boarding Improvements	558,000
12. Trolley Coach Purchase	34,490,000
13. Trolley Overhead Reconstruction	1,840,000
14. Woods Maintenance Facility	6,664,553
MUNI Subtotal:	$111,439,665
Port project which would receive funding from the subject grant	
15. Downtown Ferry Terminal Improvements	$2,000,000
TOTAL:	**$113,439,665**

Required Match: The subject Federal grant requires the City to provide matching funds in the total amount of $19,679,885. Ms. Bloom states that the required match funding of $19,679,885 will be obtained by the Public Transportation Commission from a variety of regional, state, and local funding sources including the State Highway Account, the State Public Transportation Account. State Proposition 116 Bond funds, regional bridge toll net revenues, the San Francisco Municipal Railway Improvement Corporation, cable car settlement funds, and/or San Francisco County Transportation Sales Taxes. The total amount of $19,679,885 includes (a) $9,394,857 to match the Federal CMAQ and STP grants, and (b) $10,285,028 to match the FTA Section 5307

capital assistance grant. As shown in Attachment I, the total proposed Federal grant of $113,439,665 and the required matching funds of $19,679,885 totals $133,119,550 of project costs.

Attachment III, provided by Ms. Bloom, breaks down the required match funding of $19,679,885 by project and indicates that $18,453,058, or 93.8 percent, has already been awarded by the Public Transportation Commission. The remaining balance of $1,226,827, which has not yet been awarded, is planned to be awarded in the near future, according to Ms. Bloom.

Indirect Costs:

Ms. Bloom states that the FTA's indirect cost allocation plan allows for the recovery of $3,944,325, or approximately 3.5 percent, of the subject grant for administrative overhead costs.

Budget:

As shown in Attachment II, the subject grant of $113,439,665 contributes approximately 10 percent of the funding required by the 15 capital projects which have a total estimated budget of $1,137,112,800. The balance of needed funds of $1,023,673,135 is being funded from a combination of Federal, state, regional, and local funding sources.

Comments:

1. According to Ms. Bloom, the 15 subject capital projects have been given priority for Federal capital assistance funding by the Metropolitan Transportation Commission, in its role as the regional transportation planning agency.

2. Of the subject grant's total amount of $113,439,665, Ms. Bloom states that $103,928,965, or 91.6 percent, will be expended on construction and consulting contracts. Ms. Bloom reports that the construction contracts will be put out to bid and the consulting contracts will undergo a combined Request for Qualifications/Proposals process. Ms. Bloom also states that $5,566,375, or 4.9 percent, of the subject grant will be expended on in-house labor for design, project management, and

rehabilitation work. As noted above, $3,944,325, or the remaining 3.5 percent, of the subject grant will permit the recovery of administrative overhead costs.

3. Attachment IV is a Grant Application Information Form prepared by the Public Transportation Commission.

4. The Public Transportation Commission has prepared a Disability Access Checklist, a copy of which is on file with the Clerk of the Board of Supervisors.

Recommendation: Approve the proposed resolution.

FILE NAME: PTC COMMISSION REQUEST
Prepared by Gail Bloom
Source: GRANT AWARD AND FINANCIAL PLAN

PROJECT NAME	PENDING CA-90-X893 FTA 5307	PENDING CA-90-X893 STP/CMAQ	TOTAL	cts	in-house labor	overhead
Trolley Buses	$15,000,000	$0	$15,000,000	$15,000,000	$0	$0
Trolley Buses	$0	$19,490,000	$19,490,000	$19,490,000	$0	$0
LRVs	$0	$25,000,000	$25,000,000	$25,000,000	$0	$0
Historic Stcars	$2,500,000	$0	$2,500,000	$2,000,000	$277,778	$222,222
Diesel Buses	$10,000,000	$0	$10,000,000	$10,000,000	$0	$0
Cable Car Rehabilitation	$822,815	$0	$822,815	$0	$632,935	$189,880
Cable Car Infrastructure	$500,000	$0	$500,000	$0	$384,615	$115,385
Subway Station Enhancements	$0	$675,000	$875,000	$540,000	$75,000	$60,000
Subway Station Enhancements	$0	$500,000	$500,000	$250,000	$138,889	$111,111
Rail Replacement	$7,500,000	$0	$7,500,000	$6,000,000	$833,333	$666,667
Rail Replacement	$0	$3,190,000	$3,190,000	$2,552,000	$354,444	$283,556
Rail Replacement	$0	$3,696,000	$3,696,000	$2,956,800	$410,667	$328,533
Rail Replacement	$0	$6,588,000	$8,568,000	$5,254,400	$729,778	$583,822
Trolley Overhead Reconstruction	$1,840,000	$0	$1,840,000	$1,472,000	$204,444	$163,556
Busstop Boarding Improvements	$0	$558,000	$558,000	$385,020	$96,100	$76,880
WOODS	$0	$6,664,553	$6,664,553	$5,331,642	$740,506	$592,405
Islais Creek	$0	$2,580,000	$2,580,000	$2,064,000	$286,667	$229,333
Islais Creek	$0	$1,378,000	$1,378,000	$1,102,400	$153,111	$122,489
Ferry Terminal	$0	$1,000,000	$1,000,000	$1,000,000	$0	$0
Ferry Terminal	$0	$1,000,000	$1,000,000	$1,000,000	$0	$0
Accessible Vans	$1,630,000	$0	$1,630,000	$1,385,500	$135,833	$108,667
MUNI Metro Accessibility	$1,347,297	$0	$1,347,297	$1,145,202	$112,275	$89,820
SUBTOTAL	$41,140,112	$72,299,553	$113,439,665	$103,928,965	$5,566,375	$3,944,325

TOTAL SECTION 5307	$41,140,112	
TOTAL STP/CMAQ	$72,299,553	
REQUIRED SECTION 5307 MATCH	$10,285,028	$19,679,885
REQUIRED STP/CMAQ MATCH	$9,394,857	
		14.78%
	$133,119,550	

Attachment I

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TOTAL P.01

FILE NAME: PTC COMMISSION REQUEST
Prepared by Gail Bloom
Source: GRANT AWARD AND FINANCIAL PLAN

PROJECT NAME	Subject Grant	Required Match	Previously Approved	Future Programming	total= grant+prev+future
Trolley Buses	$34,490,000	$6,282,599	$143,383,606	$54,826,394	$232,700,000
LRVs	$25,000,000	$3,248,588	$376,633,094	$112,755,806	$514,388,900
Historic Stcars	$2,500,000	$625,000	$850,000	$9,625,000	$12,975,000
Diesel Buses	$10,000,000	$2,500,000	$54,927,500	$38,822,500	$103,750,000
Cable Car Rehabilitation	$822,815	$205,704	$4,485,648	$1,949,000	$7,257,463
Cable Car Infrastructure	$500,000	$125,000	$810,000	$1,000,000	$2,310,000
Subway Station Improve/Enhance(	$1,175,000	$152,684	$2,078,800	$4,008,912	$7,282,712
Rail Replacement	$20,954,000	$3,623,260	$26,151,157	$58,918,520	$106,023,677
Trolley Overhead Reconstruction	$1,840,000	$460,000	$13,794,337	$38,885,663	$52,520,000
Busstop Boarding Improvements	$558,000	$72,508	$813,890	$253,250	$1,625,140
WOODS	$6,664,553	$866,015	$9,150,962	$3,990,547	$19,806,062
Islais Creek	$3,958,000	$514,316	$14,626,822	$20,018,750	$38,603,572
Ferry Terminal	$2,000,000	$259,887	$12,905,500	$1,594,500	$16,500,000
Accessible Vans	$1,630,000	$407,500	$2,062,501	$407,500	$4,100,001
MUNI Metro Accessibility	$1,347,297	$336,824	$13,118,805	$2,824,171	$17,290,273
SUBTOTAL	$113,439,665	$19,879,885	$675,792,622	$347,880,513	$1,137,112,800

TOTAL P.02

FILE NAME: PTC COMMISSION REQUEST
Prepared by Gail Bloom
Source: GRANT AWARD AND FINANCIAL PLAN

PROJECT NAME	PENDING CA-90-X893 FTA 5307	PENDING CA-90-X893 STP/CMAQ	ANNUAL ELEMENT COST	not awarded	awarded
Trolley Buses	$15,000,000	$0	$18,750,000		$3,750,000
Trolley Buses	$0	$19,490,000	$22,022,599		$2,532,599
LRVs	$0	$25,000,000	$28,248,588		$3,248,588
Historic Stcars	$2,500,000	$0	$3,125,000		$625,000
Diesel Buses	$10,000,000	$0	$12,500,000		$2,500,000
Cable Car Rehabilitation	$822,815	$0	$1,028,519	$38,000	$167,750
Cable Car Infrastructure	$500,000	$0	$625,000		$125,000
Subway Station Enhancements	$0	$675,000	$762,712	$87,712	$0
Subway Station Enhancements	$0	$500,000	$564,972		$64,972
Rail Replacement	$7,500,000	$0	$9,375,000		$1,875,000
Rail Replacement	$0	$3,190,000	$3,604,520		$414,520
Rail Replacement	$0	$3,696,000	$4,176,271		$480,271
Rail Replacement	$0	$6,568,000	$7,421,469		$853,469
Trolley Overhead Reconstruction	$1,840,000	$0	$2,300,000	$363,112	$96,888
Busstop Boarding Improvements	$0	$558,000	$630,508	$72,508	$0
WOODS	$0	$6,664,553	$7,530,568	$0	$866,015
Islais Creek	$0	$2,580,000	$2,915,254	$0	$335,254
Islais Creek	$0	$1,378,000	$1,557,062	$0	$89,433
Ferry Terminal	$0	$1,000,000	$1,129,944	$0	$129,944
Ferry Terminal	$0	$1,000,000	$1,129,944	$0	$129,944
Accessible Vans	$1,630,000	$0	$2,037,500	$407,500	$0
MUNI Metro Accessibility	$1,347,297	$0	$1,684,121	$0	$168,412
SUBTOTAL	$41,140,112	$72,299,553	$133,119,550	$1,226,827	$18,453,058

TOTAL SECTION 5307	$41,140,112
TOTAL STP/CMAQ	$72,299,553
TOTAL SECTION 9 MATCH	$10,285,028
TOTAL STP/CMAQ MATCH	$9,394,857
	$133,119,550

GRANT APPLICATION INFORMATION FORM

A document required to accompany a proposed resolution
Authorizing a Department to Apply for a Grant

To: The Board of Supervisors
Attn: Clerk of the Board

The following describes the grant referred to in the accompanying resolution:

Department: 35 Public Transportation Commission – MUNI

Contact Person: Gail Bloom Telephone: (415) 923-2573

Project Title: Grant Application for One Port and Fourteen MUNI CIP projects

Grant Source: Federal Transit Administration Section 5307, STP, CMAQ

Proposed (Continuation) Grant Project Summary:

- Accessible Van/Debit Card
- Cable Car Infrastructure
- Cable Car Vehicle Rehabilitation
- Diesel Bus Purchase
- Downtown Ferry Terminal Improvements
- Historic Vehicle Program
- Islais Creek Maintenance Facility
- Light Rail Vehicle Purchase
- Muni Metro Accessibility Improvements
- Muni Metro Subway Improvements
- Rail Replacement
- Transit Preferential Streets/Accessible Stop & Bulbs
- Trolley Coach Purchase
- Trolley Overhead Reconstruction
- Woods Division

Amount of Federal Grant Funding Applied for: $113,449,665

Amount of Required State, Local and Regional Matching Funds: $19,679,885

Maximum Funding Amount Available: Not Applicable

Number of Positions Created and Funded: Not Applicable

Amount to be Spent on Contractual Services: $103,928,965

Will Contractual Services be put out to Bid? Yes

Term of Grant: Not Applicable

Date Department Notified of Available funds: Not Applicable

Application Due Date: Not Applicable

Michael J. Burns

Department Head Approval

MCap/Grants/Fed/Sec9/BOS Form CA-90-X893

Item 6 – File 99-1646

Item: Resolution imposing Interim Zoning Controls for a period of eight months to (a) add live/work units to the definition of residential use in Article 8, Section 890.88 of the Planning Code; (b) to delete the exemption from height limits for live/work units set forth in Planning Code Section 260(b)(2)(0); (c) to delete live/work units from the list of other uses set forth in Planning Code Section 227(p) and 227(q); and (d) include live/work units in the list of dwellings set forth in Planning Code Section 215.

The Chair of the Finance and Labor Committee intends to entertain a motion to continue this item to the call of the Chair.

Recommendation: Continue the proposed resolution to the call of the Chair.

Item 7 – File 99-0652

1. This is a hearing to consider the cost of transferring paramedic services from the Health Department to the Fire Department.

2. During Fiscal Year 1997-98, the Fire Department assumed management control and direct operation of the City's Emergency Medical Services program (EMS) formerly provided by the Department of Public Health (DPH). The EMS program operates a fleet of ambulances, related rescue equipment and responds to medical emergencies throughout the City. In April of 1997, the Fire Department received approval of a supplemental appropriation in the amount of $1,653,393 for the one-time transition costs related to transferring EMS from the DPH to the Fire Department.

3. The Fire Department's first full Fiscal Year of operating the EMS was FY 1998-99. After the Department's budget was approved, due to a decision to increase the number of EMS ambulances deployed on a daily basis from 17 to 21, the Fire Department needed additional funding and therefore requested a supplemental appropriation, that was eventually approved by the Board of Supervisors in the amount of $1,685,145 to increase Fire Department staffing by a total of 36 Firefighter positions, in order to permanently increase the number of EMS ambulances operated on a daily basis by four from 17 to 21. The annual cost of the 36 new Firefighter positions is $2,471,851 in salaries and fringe benefits at FY 1999-2000 salary levels.

4. The last full year of DPH's operation of EMS was FY 1996-97. In order to compare the costs of DPH's EMS program with the current FY 1999-2000 costs of the Fire Department's EMS program, the Budget Analyst has reviewed both historical and current budgetary data. We found that comparisons of personnel and personnel-related costs appear relevant, but that insufficient historical budgetary data exists to compare non-personnel operating costs. The remainder of this report therefore provides a comparison of EMS personnel and personnel-related costs such as premium pay, overtime and fringe benefits, under DPH and the Fire Department. It is assumed however, that non-salary related operating costs, such as materials and supplies and vehicle maintenance, have increased under the Fire Department's operation of EMS commensurate with the increased number of Firefighter Paramedic personnel described in this report.

4. Attachment 1 provides a detailed schedule of DPH's Emergency Medical Services personnel costs, using FY 1999-2000 salary and fringe benefit rates. Attachment 1 shows that if the EMS program were still under DPH, baseline personnel costs, using the number of positions funded in FY 1996-97, would total $15,254,678 in FY 1999-2000. Attachment 1 also shows that, if DPH had added 36

new paramedic positions to staff four additional ambulances daily, personnel costs would have increased to $17,890,214.

Attachment 2 provides the same information for FY 1999-2000 personnel costs for the Fire Department's EMS program. Attachment 2 shows that the Fire Department's total baseline salary and fringe benefit costs, not including 36 additional firefighter personnel added by supplemental appropriation in FY 1998-99, are $16,274,801[1], or $1,020,123 more than the FY 1999-2000 personnel cost of $15,254,678 baseline services for EMS services previously provided by the DPH.

The primary reason for the Fire Department's increased personnel cost of $1,020,123 is increased total staffing in the Firefighter-Paramedic and Supervisory classifications. As shown below, the Fire Department's Baseline EMS services (prior to the addition of 36 Firefighters for the operation of four ambulances daily) included a total of 185.5 FTE or 7.5 FTEs more than the DPH EMS program which included a total of 178 Paramedic and Supervisory positions. Also, Supervisory positions increased from by 18 FTE from 17 FTE under DPH to 35 FTE under the Fire Department, while Paramedic personnel decreased by 10.5 FTE, resulting in the net increase of 7.5 FTEs.

Paramedic and Supervisory Paramedic Personnel Comparison

DPH Paramedic and Supervisory Personnel			Fire Department Paramedic and Supervisory Personnel		
Class	Class Title	Position Count	Class	Class Title	Position Count
2535	Chief, Paramedic Division	1.0	H 53	Chief, Emergency Medical Service	1.00
2531	Deputy Chief, Paramedic Division	1.0	H 43	Section Chief, Emergency Medical	5.00
2529	Assistant Chief, Paramedic Division	1.0	H 28	Captain, Emergency Medical Servi	28.00
2530	Senior Medical Steward	1.0	H 20	Lieutenant, (Fire Department)	1.00
2534	Paramedic Supervisor	13.0	2532	Paramedic	9.00
2532	Paramedic	161.0	H 1	Fire Rescue Paramedic	147.50
				Attrition Savings - Uniform	(6.0)
	Total Paramedic and Supervisory FTE	178.0		**Total Fire Department Paramedic and Supervisory FTE**	185.5

[1] This total includes a projected 5.5 percent salary increase for H1 Firefighter-Paramedics, the same salary increase granted to all other Uniform Fire Department personnel in July, 1999. An MOU for the HI Firefighter-Paramedics has not yet been submitted to the Board of Supervisors for approval.

The Fire Department has previously communicated to the Finance and Labor Committee, in March of 1999, that the increased staffing for supervisory positions was part of the transition plan as a means of correcting understaffing of Paramedic Supervisors under the Department of Public Health. According to the Fire Department, Paramedic Captains are available, and do provide Paramedic services whenever required. Other factors such as the 24-hour shift for Paramedics and less down time during shift changes, according to the Fire Department, result in an increased availability of personnel at all times.

5. As previously noted, in April of 1999 the Fire Department received approval of a supplemental appropriation for the addition of 36 Firefighter positions in order to staff and operate four additional ambulances on a daily basis. Based on FY 1999-2000 salary and benefit rates, the cost of these 36 new positions is $2,471,851 annually, over and above the baseline Fire Department EMS personnel costs of $16,274,801 noted above, resulting in total FY 1999-2000 personnel costs of $18,746,652. Hence, with the new Firefighter personnel for the four additional ambulances, personnel costs for the Fire Department's EMS program now total $18,746,652, or $3,491,974 more than the $15,254,678 amount representing DPH's cost for the baseline EMS program at FY 1999-2000 salary levels.

With the addition of four ambulances daily, the Fire Department is now clearly operating at a higher level of service than was previously provided under DPH. If the DPH had received funding for an additional 36 Paramedic positions, the additional cost to DPH, at FY 1999-2000 salary and fringe benefit levels, would be $2,635,536 and their total EMS personnel costs would be $17,890,214 ($15,254,678 for baseline services plus $2,635,536 for 36 Paramedic positions).

Therefore, the cost difference between the Fire Department and the projected DPH cost for personnel expenditures related to the enhanced EMS program, which added four ambulances daily, is $856,438 annually ($18,746,652 compared to $17,890,214).

SUMMARY

The one-time cost of transitioning the Emergency Medical Services program from the Department of Public Health to the Fire Department was $1,653,39. For annual operating costs, this analysis concludes that the personnel costs for the Fire Department's baseline EMS program exceeds the cost of the program that would be provided under the DPH's EMS staffing configuration by $1,020,123 annually ($16,274,801 less $15,254,678). This increased cost is due largely to increased supervisory staffing, whereby the number of supervisory EMS positions increased by 18 FTEs from 17 FTEs under DPH to 35 FTEs under the Fire Department.

The Fire Department's EMS program was expanded in April of 1999 to provide staffing for four more ambulances daily (21 ambulances instead of 17 ambulances daily) at an additional cost of $2,471,851 annually, for total personnel expenditures of $3,491,974 annually more than the DPH EMS baseline program ($18,746,652 less $15,254,678).

If DPH had similarly increased Paramedic staffing, Fire Department personnel expenditures for the enhanced service would exceed DPH personnel expenditures by $856,438 annually ($18,746,652 less $17,890,214).

DPH Paramedic Personnel Detail Projection
Using 1999-00 Salary Rates

Attachment 1

Job Class	Class Title	1999-00 Salaries	Position Count	Salaries
1426	Senior Clerk Typist	$ 41,516	4.00	$ 166,065
1450	Executive Secretary I	49,783	1.00	49,783
1819	Management Info Systems Specia	67,338	1.00	67,338
1932	Asistant Storekeeper	36,368	8.00	290,941
2110	Medical Records Clerk	42,918	1.00	42,918
2112	Medical Records Technician	48,106	1.00	48,106
2529	Assistant Chief, Paramedic Division	74,792	1.00	74,792
2530	Senior Medical Steward	68,674	1.00	68,674
2531	Deputy Chief, Paramedic Division	79,901	1.00	79,901
2532	Paramedic	63,827	161.00	10,276,115
2534	Paramedic Supervisor	75,696	13.00	984,048
2535	Chief, Paramedic Division	88,089	1.00	88,089
2736	Porter	38,071	1.00	38,071
	Salary Savings - Miscellaneous		(0.41)	(25,809)
	Premium Pay - Miscellaneous		-	114,646
	Overtim - Miscellaneous		-	208,041
	Holiday Pay - Miscellaneous		-	182,281
	Step Adjustments			(373,258)
	Total Baseline Salaries		194.59	$ 12,380,741
	Mandatory Fringe Benefits			2,873,937
	Total Baseline Salaries and Fringe Benefits			**$ 15,254,678**

Cost of Increased Staffing if DPH were to add 36 Paramedic Positions for Additional Ambulances

2532	Paramedic	63,827	36.00	$ 2,297,765
	Step Adjustments			(172,332)
	Total Additional Salaries			2,125,432
	Mandatory Fringe Benefits			510,104
	Total Additional Salaries and Fringe Benefits			**$ 2,635,536**
	Grand Total Salaries and Fringe Benefits			**$ 17,890,214**

Job Class	Class Title	1999-2000 Salaries	Position Count	Salaries
STEPM	Step Adjustments, Miscellaneous		0.00	$ (9,975)
1023	Administrator III	$ 63,362	1.00	63,362
1220	Payroll Clerk	46,481	1.00	46,481
1424	Clerk Typist	37,900	1.00	37,900
1426	Senior Clerk Typist	41,516	3.00	124,549
1450	Executive Secretary I	49,783	1.00	49,783
1932	Assistant Storekeeper	36,368	8.00	290,941
2110	Medical Records Clerk	42,918	1.00	42,918
2112	Medical Records Technician	48,106	1.00	48,106
2230	Physician Specialist	105,534	0.55	58,043
2532	Paramedic	63,827	9.00	574,441
9993M	Attrition Savings - Miscellaneous	-	(0.52)	(19,992)
H 1	Fire Rescue Paramedic	62,566	147.50	9,228,426
H 20	Lieutenant, (Fire Department)	69,430	1.00	69,430
H28	Captain, Emergency Medical Servi	79,307	28.00	2,220,607
H 43	Section Chief, Emergency Medical	95,185	5.00	475,923
H 53	Chief, Emergency Medical Service	104,328	1.00	104,328
	Step Adjustments - Uniform		-	(187,575)
	Attrition Savings - Uniform		(6.01)	(398,429)
	Premium Pay - Miscellaneous		-	6,771
	Premium Pay - Uniform		-	97,802
	Overtime - Miscellaneous		-	19,185
	Overtime - Uniform		-	277,136
	Holiday Pay - Miscellaneous		-	19,959
	Holiday Pay - Uniform		-	293,923
	Total Baseline Salaries		202.52	$ 13,534,045
	Mandatory Fringe Benefits			2,195,125
	Subtotal Baseline Salaries and Fringe Benefits			$ 15,729,170
	Additional Salary and Fringe Benefit Costs Assuming a 5.5% increase for H1 Firefighter Paramedics			545,631
	Total Baseline Salaries and Fringe Benefits			$ 16,274,801
	Additional 36 Firefighters Four Ambulances Addedin FY 1998-99			
H 2	Firefighter	59,815	36.00	$ 2,153,326
	Step Adjustment			(33,384)
	Total Additional Salaries			2,119,941
	Mandatory Fringe Benefits			351,910
	Total Additional Salaries and Fringe Benefits			$ 2,471,851
	Grand Total Salaries and Fringe Benefits			$ 18,746,652

Item 8 – File 99-1941

1. This is a hearing to consider Fire Department Overtime expenditures.

2. During Fiscal Year 1997-98, the Fire Department's original budget for overtime was $2,446,649. However, during the first 6.9 pay periods, out of a total 26.1 pay periods in Fiscal Year 1997-98, the Fire Department expended $2,472,149 for overtime, or $25,500 more than the Department's approved annual overtime budget, resulting in a projected deficit for overtime of $2,000,000. As a result, a supplemental appropriation for $2,000,000 was requested by the Fire Department and approved by the Board of Supervisors. The table below shows the original budget, revised budget and actual expenditures for all Salary and Fringe Benefit expenditure objects, including Overtime, during Fiscal Year 1997-98.

As shown in the table below, the Fire Department ended FY 1997-98 with a deficit of $485,546 in all Salary and Fringe Benefit expenditure objects even after the approval of the $2,000,000 Supplemental Appropriation for overtime. According to Ms. Debra Ward, Chief Financial Officer of the Fire Department, the deficit in Salary and Fringe Benefit expenditure objects was offset by budgetary savings in other, non-personnel related expenditure objects within the Fire Department's budget, primarily savings in services of other departments, facilities maintenance and materials and supplies.

	1997-1998			
Expenditure	Original Budget	Revised Budget	Actual Expenditures	Surplus (Deficit)
Permanent Salaries – Misc.	$ 13,989,124	$ 14,495,547	$ 10,871,328	$ 3,624,219
Permanent Salaries - Uniform	82,811,289	83,466,289	84,810,181	(1,343,892)
Temporary Salaries	37,224	123,224	250,860	(127,636)
Premium Pay	2,107,854	2,107,854	2,944,097	(836,243)
Overtime Pay	2,446,649	4,271,649	6,417,577	(2,145,928)
Holiday Pay	5,290,587	5,290,587	5,155,947	134,640
Mandatory Fringe Benefits	16,530,489	16,679,447	16,470,153	209,294
Total	$123,213,216	$126,434,597	$126,920,143	$ (485,546)

3. In Fiscal Year 1998-99, the Fire Department again faced a deficit due to overtime spending and requested a supplemental appropriation of $2,127,526, that was subsequently reduced by $442,095 by the Finance and Labor Committee, and approved by the Board of Supervisors in the amount of $1,685,145. The Fire Department incurred the expenditure deficit during FY 1998-99 because of a decision by the Department to increase the number of Emergency Medical Service (EMS) ambulances deployed on a daily basis from 17 to 21.

Despite the Board of Supervisors approval of the Fire Department's supplemental appropriation in the amount of $1,685,145 in FY 1998-99, the Fire Department ended FY 1998-99 with a deficit of $2,136,778 in all Salary and Fringe Benefit expenditure objects as shown in the table below. According to Ms. Ward, the deficit in Salary and Fringe Benefit expenditure objects was offset by budgetary savings in other, non-personnel related expenditure objects within the Fire Department's budget, including savings in the Consent Decree project appropriation due to the end of the consent decree, and facilities maintenance.

	1998-1999			
Expenditure	Original Budget	Revised Budget	Actual	Surplus (Deficit)
Permanent Salaries – Misc.	$ 3,510,796	$ 4,510,796	$ 5,428,206	$ (917,410)
Permanent Salaries - Uniform	98,405,541	93,748,442	93,776,583	(28,141)
Temporary Salaries	37,224	37,224	393,639	(356,415)
Premium Pay	2,107,854	2,107,854	3,369,157	(1,261,303)
Overtime Pay	3,095,629	8,431,691	8,443,173	(11,482)
Holiday Pay	5,290,587	5,290,587	5,441,507	(150,920)
Mandatory Fringe Benefits	17,193,731	17,296,374	16,707,481	588,893
Total	$ 129,641,362	$ 131,422,968	$ 133,559,746	$ (2,136,778)

4. The table on the following page provides a projected year end balance for FY 1999-2000 Fire Department General Fund Salary and Fringe Benefit expenditure objects, based on a comparison of the Department's original budget and actual expenditure data through the pay period ending October 15, 1999 provided by the Controller. Overall, the Fire Department is expending Salaries and Fringe Benefits, including Overtime, at a rate that would result in a yearend surplus of $723,213. However, the table also shows a projected deficit for Overtime of $4,958,093, as well as deficits in other expenditure objects, which are being offset by savings in Holiday Pay and Uniform Salaries objects of expenditures.

Controller's Projected 1999-2000 Salary and Fringe Benefit Expenditures including Overtime Using Data from Pay Period Ending 10/15/99

Expenditure	Revised Budget *	Projected Actual	Projected Surplus (Deficit)
Permanent Salaries - Misc	$5,010,440	$5,308,192	($297,752)
Permanent Salaries - Uniform	106,115,250	98,395,850	7,719,400
Temporary Salaries	119,724	511,073	(391,349)
Premium Pay	8,407,795	9,554,795	(1,147,000)
Overtime Pay	3,586,076	8,544,169	(4,958,093)
Holiday Pay	1,194,493	797,499	396,994
Mandatory Fringe Benefits	17,906,298	18,505,285	(598,987)
Total	$142,340,076	$141,616,863	$723,213

* The Fire Department's Revised Budget for FY 1999-2000 reflects net additional Premium and Holiday Pay amounts of $1,942,975 due to budgetary revisions adding funds from the City's Salaries and Benefits Reserve following approval of a new Firefighter MOU in July, 1999.

5. The Fire Department has prepared a spending plan for FY 1999-2000 that incorporates changes in the rate of spending for salaries and fringe benefits as new Firefighter personnel are hired, thus diminishing the need for overtime expenditures in the second half of the Fiscal Year to backfill for vacancies in Fire Suppression units. The table below provides a comparison between the FY 1999-2000 Fire Department budget for Salaries and Fringe Benefits and the department spending plan.

Fire Department Projected 1999-2000 Salary and Fringe Benefit Expenditures including Overtime Using Department Spending Plan

Expenditure	Revised Budget *	Spending Plan	Projected Surplus (Deficit)
Permanent Salaries - Misc	$5,010,440	$5,596,424	$ (585,984)
Permanent Salaries - Uniform	106,115,250	102,474,386	3,640,864
Temporary Salaries	119,724	192,366	(72,642)
Premium Pay	8,407,795	9,671,152	(1,263,357)
Overtime Pay	3,586,076	4,428,059	(841,983)
Holiday Pay	1,194,493	620,827	573,666
Mandatory Fringe Benefits	17,906,298	18,095,627	(189,329)
Total	$142,340,076	$141,078,841	$1,261,235

Using the Department's spending plan, the Fire Department is expending Salaries and Fringe Benefits, including Overtime, at a rate that would result in a yearend surplus of $1,261,235. The table also shows a projected deficit for Overtime of only $841,983 instead of the Controller's overtime projected deficit of $4,958,093, using year to date expenditure data.

6. The attached memorandum from Ms. Ward, provides an explanation of the Fire Department's FY 1999-2000 year to date spending and the year end projections using the Department's spending plan.

7. In summary, subsequent to obtaining approval from the Board of Supervisors for the FY 1997-98 and FY 1998-99 annual budgets, the Fire Department needed a supplemental appropriation of $2,000,000 for Overtime in FY 1997-98 and a supplemental appropriation of $1,685,145 for Uniform Salaries and Overtime in FY 1998-99. In addition, for this current Fiscal Year of 1999-2000 the Controller's projections, based on year to date expenditure data, projects another deficit of $4,958,093 in the Fire Department's Overtime account, which is offset by surpluses in Holiday Pay and Uniform Salaries, for a projected surplus in General Fund salaries and benefits including overtime, of $723,213.

As previously noted, the Fire Department's latest spending plan predicts that the deficit of in the Fire Department's Overtime account will only amount to $841,983 and that the Department will finish FY 1999-2000 with a surplus in General Fund salaries and benefits of $1,261,235.

The Budget Analyst notes that the Fire Department's spending plan for FY 1999-2000 projects total General Fund Overtime expenditures of $4,428,059 or $841,983 more than the budget amount of $3,586,076. However, as of the completion of the October 15, 1999 pay period (7.7 pay periods out of 26.2 pay periods in FY 1999-2000, or 29.4 percent of the Fiscal Year), the Fire Department has already expended $2,504,661 for Overtime or 69.8 percent of the Fire Department's General Fund Overtime budget of $3,586,076. Therefore, the Budget Analyst concludes that it is highly probable that the Fire Department will exceed its General Fund Overtime budget by a much larger sum than the Fire Department's spending plan projection of $841,983.

According to Ms. Ward however, Overtime expenditures have been decreasing in recent pay periods and the Department expects to meet its spending plan projections, which are based on their hiring plan for new Firefighters. The Budget Analyst remains unconvinced that the Fire Department will adhere to its latest Overtime spending plan of $4,428,059 for FY 1999-2000 which is $4,116,110 ($8,544,169 less $4,428,059) or over 48 percent less than the Controller's latest projection for Fire Department Overtime.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO FIRE DEPARTMENT

ROBERT L. DEMMONS, *Chief of Department*
HAROLD E. GAMBLE, *Deputy Chief of Operations*
PATRICK W. WHITE, *Deputy Chief of Administration*

698 SECOND STREET
SAN FRANCISCO, CA 94107-2015
(415) 558-3400

November 5, 1999

Mr. Ken Bruce, Budget Analyst
San Francisco Board of Supervisors
1390 Market Street
Suite 1025
San Francisco, California 94102

Dear Mr. Bruce:

This is in response to your memorandum regarding the reasons for the Controller's projected over-expenditures for Fiscal Year 1999-2000 for overtime. As we have explained in the past, July, August and September are traditionally high overtime usage months for the Fire Department. The projections that have been provided by the Controller's High Level Monthly Reports are based on expenditures year to date, which are straight lined. The Department has prepared a spending plan which is based on the annual overtime usage patterns, planned Fire Academy classes and projected retirements. With this information, we have projected a much lower rate for Overtime expenditures and a higher rate of expenditure for Permanent Uniform Salaries.

The appropriation for the personnel budget is at the Character level. As such, we anticipate that for all expenditures in personnel categories, there will be a surplus. Based on the current High Level Monthly Reports produced by the Controller's Office, the amount of the surplus should be approximately $1.3 million after adjustments for Holiday Pay projections and Premium Pay projections.

The current reports also show a deficit in the projection for Premium Pay of approximately $1.3 million and $841,983 in Overtime Pay. However, these deficits are offset by the projected $573,666 projected surplus in Holiday Pay as well as the projected surplus of $3.6 million Permanent Salaries – Uniform. It should also be noted that the projected Holiday Pay expenditure, which totals $620,827 in the current reports, should only be approximately $130,000 after all of the adjustments are made. The Department is working with the Controller's Office to make sure that all of these adjustments are made and reflected in the monthly financial reports. As stated previously, with these adjustments the anticipated personnel budget surplus for Fiscal Year 1999-2000 is approximately $1.3 million.

If there is additional information that you would like regarding the Fire Department's proposed spending plan, the budget adjustments related to the approval of the MOU with Local 798 or the changes in the Holiday Pay provisions, please feel free to contact us.

Respectfully,

Robert L. Demmons,
Chief of Department

By Debra Ward,
Chief Financial Officer

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City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman and Tom Ammiano

Clerk: Mary Red

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, November 17, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Tom Ammiano.

Members Absent: Sue Bierman.

Meeting Convened

The meeting convened at 10:10 a.m.

991811 **[Ferry Building Lease and Negative Declaration]**
Resolution approving lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building (The Embarcadero and Market Street) as a mixed use project; approving Negative Declaration. (Port)

(Final Negative Declaration adopted and issued October 1, 1998.)
9/22/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 10/27/1999.
11/3/99, CONTINUED. Continued to November 17, 1999.

Heard in Committee. Speakers: Michael Levine.
CONTINUED TO CALL OF THE CHAIR by the following vote:
Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

991619 **[Establishment of Airport Special Event Account]**
Ordinance amending Administrative Code by adding Section 10.114-3 to establish an Airport Promotion and Event Account; allow for the acceptance of gifts by the Airport Commission; and, authorize the Airport Commission to expend monies in account. (Airport Commission)

(Fiscal impact; Adds Section 10.114-3.)
8/17/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.
10/13/99, SUBSTITUTED. Substituted by Airport Commission 10/13/99, bearing new title.
10/13/99, ASSIGNED to Finance and Labor Committee.
11/10/99, CONTINUED. Continued to November 17, 1999

Continued to December 1, 1999.
CONTINUED by the following vote:
Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

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991923 **[Expenditure of Community Court Program Fines]**

Supervisor Brown

Ordinance amending Administrative Code by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through community court dispute resolution programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the community courts.

(Adds Section 10.117-124.)

10/12/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Kimiko Burton-Cruz, Director, Mayor's Criminal Justice Council, Supervisor Ammiano, Supervisor Yee. Continued to December 1, 1999

CONTINUED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992005 **[Educational Revenue Augmentation Fund (AB 1661, SB 711)]**

Mayor

Resolution specifying the amount of ad valorem property tax revenue shifted from each local agency within the City and County to the Educational Revenue Augmentation Fund established by state law in the City and County and agreeing to conditions imposed by the State for allocation to the City and County of certain state funds.

10/25/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Ed Harrington, Controller

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992019 **[Amendment to the Police Officers Association 1996-2001 MOU regarding an Airport Canine Bomb Detection Premium for members assigned to the Airport Bureau]**

Ordinance implementing Amendment No. 4 to the 1996-2001 Memorandum of Understanding between the San Francisco Police Officers Association and the City and County of San Francisco adding language regarding an Airport Canine/Bomb Detection Premium of $105.00 biweekly, effective July 24, 1999. (Department of Human Resources)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Department of Human Resources; Supervisor Ammiano.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992020 **[Settlement of Pay Grievance, Locals 790, 535, and 250]**

Ordinance authorizing settlement of the pay grievance of Service Employees International Union, AFL-CIO Local 790, 535, and 250 on behalf of its affected members filed pursuant to the Memoranda of Understanding between the Service Employees International Union, AFL-CIO, Local 790, 535 and 250 and the City and County of San Francisco in an amount not to exceed $360,000. (Department of Human Resources)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992072 **[Settlement of Grievance, Local 790, 535, and 250]**

Ordinance authorizing settlement of the compensatory time off/night differential grievance of Service Employees International Union, AFL-CIO, Local 790, 535, and 250 on behalf of its affected members filed pursuant to the Memoranda of Understanding between the Service Employees International Union, AFL-CIO, Local 790, 535, and 250 and the City and County of San Francisco in an amount not to exceed $125,000.00. (Department of Human Resources)

11/3/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alice Villagomez, Deputy Director, Department of Human Resources. Amended to delete reference to Locals 535 and 250. New title.

AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

Ordinance authorizing settlement of the compensatory time off/night differential grievance of Service Employees International Union, AFL-CIO, Local 790,on behalf of its affected members filed pursuant to the Memoranda of Understanding between the Service Employees International Union, AFL-CIO, Local 790,and the City and County of San Francisco in an amount not to exceed $125,000.00. (Department of Human Resources)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992026 **[Purchase of 4.09 acres of PG&E property (2315 Cesar Chavez Street), leased by DPW since 1986 for storage of materials, placement/use of modular buildings and parking, essential for DPW's continued operation]**

Resolution approving and authorizing an agreement between the City and County of San Francisco, as Buyer, and Pacific Gas and Electric Company as Seller, to purchase real property located at 2315 Cesar Chavez Street, known as APN Block 4343 Lot 1A and SBE 135-38-22 Parcel 1, for a purchase price of Three Million, Eight Hundred Forty-One Thousand Dollars ($3,841,000); approving an agreement by the City to release and indemnify PG&E for hazardous materials; approving certain environmental deed restrictions; approving the assumption of a billboard lease affecting the property; approving certain limitations on the City's remedies against PG&E for breach; adopting findings that the purchase agreement is consistent with the City's General Plan and eight priority policies of the City Planning Code Section 101.1; authorizing the Director of Property to execute documents, make certain modifications and take certain actions; and ratifying prior acts. (Real Estate Department)

(Fiscal impact.)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Tony DeLucchi, Real Estate Department
Continued to December 1, 1999

CONTINUED.

992082 **[Sutro Tower Health and Safety Task Force]**

Supervisors Ammiano, Teng, Leno, Bierman

Resolution establishing a Sutro Tower Health and Safety Task Force to make policy recommendations to the Mayor and Board of Supervisors and setting forth the membership and duties of the task force.

11/8/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Supervisor Ammiano, Supervisor Yee, Robert McCarthy, McCarthy & Schwartz; George Zaback, Forest Knolls, George Linn, Midtown Terrace, Jon Ridenour, Jules Human, Shaw Lin Chin; Carry Small; Christine Linnenbach, Booker Wade, KMTP-TV 32, Ali Shepherd, Hispanic Broadcast Corp.; Gene Zastrow, Sutro Tower, Inc., Debra Stein Amendment of the Whole further amended to add Department of Public Health and Department of Building Inspection as members of Task Force; and to make the City Attorney a non-voting member.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

992095 **[Charitable Distribution of Food]**

Supervisors Yee, Ammiano

Hearing to consider the City's practice of confiscating food distributed by charitable organizations, including Food Not Bombs, and arresting members of the clergy and other volunteers for distributing food.

11/8/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: John Di Donna.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Ammiano
Absent: 1 - Bierman

ADJOURNMENT

The meeting adjourned at 11:45 a.m.

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Attn: *Susan Hom*

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

November 12, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: November 17, 1999 Finance and Labor Committee Meeting

Item 1 - File 99-1811

Note: This item was continued by the Finance and Labor Committee at its meeting of November 3, 1999.

Department: Port

Item: Resolution approving a Ground Lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building, located on the Embarcadero and Market Street, as a mixed-use project and approving a negative declaration.

Description: Charter Section 9.118 requires that the Board of Supervisors approve non-maritime leases of real property or contracts and agreements entered into by a City department extending for a period of ten years or more. The proposed resolution would approve a 66-year Ground Lease between the Port and Ferry Building Investors, a California Limited Liability Company (LLC), to renovate and restore the Ferry Building as an intermodal ferry terminal and mixed-use development.

The Ferry Building is owned and maintained by the Port, which includes three floors of primarily office space consisting of a total of 291,872 square feet.

Within the Ferry Building, the Port currently occupies 41,934 square feet of office space, or approximately 14 percent, and leases the remaining 249,938 square feet of space to approximately 93 other tenants, including three long-term commercial tenants. The three long-term commercial tenants include (1) the World Trade Club, a private business club, which occupies 29,521 square feet of space, of which 25,863 square feet is under a long-term lease expiring in 2004 and 3,658 square feet is on a month-to-month lease, (2) Limbach & Limbach, a law firm, which occupies 35,434 square feet, including 20,197 square feet in a long-term lease expiring in 2006 and 15,237 square feet in a month-to-month lease, and (3) Amtrak, which occupies 4,100 square feet with a lease expiring in 2005.

All of the Port's approximately 90 other tenants in the Ferry Building have month-to-month leases or leases which expire by the Fall of 2000. According to Mr. Paul Osmundson of the Port, most of the Ferry Building tenants have month-to-month leases, including the three long-term tenants who have month-to-month leases for a portion of their space because the Port has been in the predevelopment stage for the proposed renovation of the Ferry Building for over five years. Therefore, the Port limited the number of tenants with long-term leases in order to maximize the flexibility for future development of the Ferry Building, Mr. Osmundson advises.

The proposed development of the Ferry Building would consist of approximately 40,000 square feet of ground level commercial retail space, including fresh and prepared food markets and approximately 20,000 square feet for four restaurants. The ground level, with a total of 105,000 square feet, will also contain Ferry passenger services, including ticketing booths, sheltered covered areas and a Central Concourse with major passageways connecting Market Street to the Bay, as well as loading and serving areas.

The second and third floors will contain a total of approximately 164,000 square feet of space, including approximately 150,000 square feet of market rate office

space of which approximately 2,500 square feet will be used for the Port Commission's hearing room and 500 square feet will be used for ancillary Port office space. The remaining approximately 14,000 square feet of space(164,000 less 150,000) would be interior public space. Overall, the new Ferry Building would contain a total of 269,000 square feet of space, resulting in a reduction of approximately 23,000 square feet of space from the current approximately 292,000 square feet within the Ferry Building. Mr. Alec Bash of the Port reports that the reduction in space is a result of the restoration of the Ferry Building to contain the original Nave Bay, which is a long narrow central hall rising higher than the adjacent portions of the building, which will open up the center portion of the building from the ground floor to the roof, by removing about one-third of the second floor and all of the third floor. The proposed development will also seismically retrofit and rehabilitate the Ferry Building to current fire and safety Building Code standards.

The Lease Disposition and Development Agreement, between the Port and the Developer, which is not subject to the Board of Supervisors approval, is intended to establish the conditions for the development of the Ferry Building by the Developer and to state the conditions for the delivery of the Ground Lease for the Ferry Building and the site to the Developer by the Port. The Lease Disposition and Development Agreement between the Port and the Developer, Ferry Building Investors, identifies the scope of the development project and includes a schedule of performance, indemnification requirements, relocation of tenant provisions, and other issues related to the construction phase of the project. The Lease Disposition and Development Agreement was approved by the Port Commission on August 24, 1999 and will become effective when the Port Director signs the Agreement, which Mr. Osmundson advises will not occur until the Board of Supervisors approves the proposed Ground Lease resolution. The Lease Disposition and Development Agreement will then expire upon the completion of the Ferry Building's

construction, which is anticipated to be in approximately June of 2002.

The proposed Ground Lease for the Ferry Building between the Port and the Ferry Building Investors, which is the subject of the proposed resolution, establishes the terms and uses for the Ferry Building and identifies the specific compensation and other requirements for each of the parties during the term of the Ground Lease. This Ground Lease would commence after specific conditions are met, which are identified in Attachment 1 to this report, provided by the Port. Mr. Osmundson advises that these conditions are expected to be achieved by January of 2001, and the Ground Lease would extend for 66 years, or until approximately 2067. According to Mr. Osmundson, the Ferry Building Investors proposed the Ground Lease term of 66 years, which is the maximum allowable under the State's Burton Act.

Under the proposed 66-year Ground Lease, the Developer, Ferry Building Investors, will be responsible for all of the costs required for managing, improving, operating, maintaining and repairing the Ferry Building and the surrounding area. During this period of time, the Port would continue to own the Ferry Building and at the conclusion of the 66-year Ground Lease, the responsibility for the management, operation and maintenance of the Ferry Building and all improvements will revert back to the Port.

Fiscal Provisions: Attachment 2, provided by the Port, identifies the major fiscal provisions of the proposed Ground Lease. As shown in Attachment 2, the Port will initially receive a minimum guaranteed rent of $1.4 million per year, payable on a monthly basis of $116,667 per month, from the Ferry Building Investors. In accordance with the proposed Ground Lease, if the base rent is not paid, such rent payments would continue to accrue, with annual interest costs of either ten percent or five percent over the Federal Reserve Bank rate, whichever is greater.

This $1.4 million minimum guaranteed annual rental income would be adjusted by the Consumer Price Index (CPI) every five years, subject to a minimum of two percent and a maximum of four percent per year, or a total of between ten to 20 percent every five years. This CPI rent adjustment would be paid by the Ferry Building Investors to the Port prior to any return on investment is paid to Ferry Building Investors, but, after the debt service, reserves and other operating expenses of the Ferry Building property are paid by Ferry Building Investors. If sufficient funds are not available to Ferry Building Investors to pay the Port this CPI rent adjustment, such payment may be deferred, interest-free, until such funds are available.

In addition to the $1.4 million annual adjusted rent payments, as shown in Attachment 2, the Developer will pay the Port a Participation Rent equal to 50 percent of the net income received by the Developer, on a quarterly basis, beginning six months from the date that the Ferry Building's net cash flow is positive. This Participation Rent would be paid after deducting the annual adjusted CPI rent payments and after the Developer receives an 11 percent return on their equity. Therefore, the Port would only receive such Participation Rent, if Ferry Building Investors revenues exceed not only their operating and maintenance costs, debt service and reserves, but also the adjusted $1.4 million annual CPI rent payments to the Port and an 11 percent return on equity to Ferry Building Investors.

As outlined in Attachment 2, the proposed Ground Lease also contains specific provisions giving the Port an option to share in the net proceeds from the transfer, sale, assignment or refinancing of the Lease. If the Ferry Building Investors refinances the lease, the Port would be paid 30 percent of all net refinancing proceeds. Assuming that under such refinancing, Ferry Building Investors would be realizing funds and thus increasing the debt service cost, the refinancing would serve to reduce the amount of Participation Rent that would be available to be paid to the Port. Alternatively, if Ferry Building Investors refinances to realize lower

debt service costs, the Port would potentially realize increased Participation Rent, as the debt service costs are reduced. If Ferry Building Investors transfers or sells the Ground Lease, the Port can elect to receive 30 percent of the net proceeds from the transfer or sale, but, in return, the Port would relinquish the 50 percent Rent Participation provision, although the Port would continue to receive the CPI adjusted monthly rent payments.

Given these financial provisions, Attachment 2 identifies the Port's likely projected revenues totaling $88.4 million over a 20-year period, assuming that the Ground Lease is refinanced after ten years and sold after 20 years. Although this analysis only reflects the initial 20-year period, during the remaining 46 years of the proposed 66-year Ground Lease, if the Ground Lease is sold, the Port would continue to receive the CPI adjusted monthly rent payments, or an estimated $64.4 million from the base rent and up to an additional $166 million from the CPI adjustments, assuming an average inflation rate of 3.2 percent, for a total of $318.8 million ($88.4 million plus $64.4 million plus $166 million). Mr. Osmundson also notes that if the Ground Lease is not sold or transferred, although the Port would not receive the estimated $24.5 million in sales proceeds as shown in Attachment 2, the Port would continue to receive the CPI monthly rent payments totaling up to approximately $230.4 million ($64.4 million plus $166 million) and the 50 percent Rent Participation revenues for the subsequent years, which are estimated by Ferry Building Developers to be between approximately $3.4 million to $22.4 million annually.

Comments:

1. Presently, the Port occupies 41,934 useable square feet of administrative office space in the Ferry Building. In addition, the Port indicates that they currently occupy 4,610 square feet of storage space in the Ferry Building, that will be moved to an off-site storage facility. The Port intends to relocate their administrative offices to Pier 1, under a 50-year lease and sublease arrangement with AMB Property Corporation, which was approved by the Board of

Supervisors in April of 1999 (Resolution No. 329-99). Pier 1 is located immediately adjacent to the Ferry Building. Under the Pier 1 sublease, the Port will occupy 45,630 useable square feet of space, an increase of 3,696 square feet. In addition, as noted above, the Port will lease 3,000 square feet of additional space in the Ferry Building, for the Port Commission hearing room and related office space, for a total of 48,630 square feet of space for the Port, as compared with the current 41,924 square feet, an increase of 6,706 square feet, or 16 percent. It should also be noted that the Pier 1 sublease allows for the Port to occupy up to an additional 30,000 square feet of space during the 50-year term of the sublease.

2. Under the previously approved Pier 1 lease and sublease arrangements, AMB Property Corporation will construct and manage a proposed new office building. When completed, AMB will occupy a portion of the new Pier 1 office space, sublease a portion of the new office space to the Port and sublease a portion of the new space to other outside tenants. Under such arrangements, the Port will pay AMB Property an initial rent of $153,051 per month for 52,475 square feet of office space, or approximately $2.92 per square foot per month ($35 annually). The sublease has various escalation clauses, which become effective over the 50-year term of the lease and sublease.

Under these arrangements, previously approved by the Board of Supervisors, AMB Property will receive a return of 11 percent on their estimated construction costs of $34,511,526, or $3,796,268. Under a revenue-sharing arrangement, beginning in year six, and continuing for the remaining 45 years of the lease, AMB will pay the Port 50 percent of the total rental income received by AMB from all the tenants, including the Port and AMB. At the end of the 50-year term of the lease and sublease, the Pier 1 building and all improvements will belong to the Port.

3. Pier 1 construction began in August of 1999 and is projected to be completed in December of 2000. As soon as it is completed, the Port anticipates relocating its

administrative offices and staff to the newly renovated Pier 1 facility. The Ferry Building construction is then projected to begin immediately thereafter in January of 2001, and to be completed by June of 2002. One of the conditions stated in the Ferry Building Lease Disposition and Development Agreement is that if the Port is unable to vacate the Ferry Building by January of 2001, due to a delay in the Pier 1 project, the Port has various options to extend that date, with graduated penalties in the form of per diem rent credits to be paid to Ferry Building Investors the further the date is extended. Conversely, the Ferry Building Investors must meet their specific conditions by that date, or pay the Port $75,000 per month for their delays.

4. Mr. Osmundson notes that when the renovations at the Ferry Building are completed, office and retail space in the Ferry Building will rent at the then current market rates, which is estimated to be $53.89 per square foot per year for office space, and $40.93 per square foot per year for retail space. Mr. Bash advises that the Port currently receives $16.68 per square foot per year from the World Trade Club and $32.64 per square foot per year from Limbaugh & Limbaugh, from their long-term leases at the Ferry Building. The proposed Ferry Building office space rate of approximately $54 per square foot is $19 more per square foot, than the proposed rent of $35 per square foot, that the Port will pay for office space in Pier 1.

5. Mr. Osmundson advises that the Port will not be required to pay Ferry Building Investors for tenant improvements or the use of the 3,000 square feet of additional space in the Ferry Building, to be used for the Port Commission meetings and for an ancillary office. Currently, the Port occupies all of its Ferry Building space rent-free. However, Mr. Osmundson notes that Ferry Building Investors will be able to rent out the Port Commission meeting room and the ancillary office space when the Port is not using such space, in accordance with a proposed sublease. Mr. Osmundson reports that the sublease between Ferry Building Investors and the Port for use of this 3,000 square feet of space in the Ferry Building will be

subject to the Board of Supervisors approval and is anticipated to be brought to the Board within the next three months.

6. On May 15, 1998, the Port issued a Request for Qualifications (RFQ) to Rehabilitate and Lease the Ferry Building as a mixed-use project. Mr. Osmundson advises that this RFQ was advertised in the Wall Street Journal, Los Angeles Times, New York Times, Urban Land Magazine and numerous other publications, and that the RFQ was sent to over 100 firms. In response, the Port received four qualification statements and subsequently, the Port invited the four respondents to submit proposals for development of the Ferry Building. The four respondents were: (1) Madison Marquette Realty Services, (2) TrizecHahn Development Corporation, (3) Mentmore Development Company/Mills Corporation and (4) William Wilson & Associates. An analysis of the four proposals was conducted by the Port's staff and assisted by outside real estate consultants, Keyser Marston Associates and the accounting firm of KPMG Peat Marwick. On November 17, 1998, the Port staff recommended and the Port Commission selected William Wilson & Associates, located in San Mateo, as the developer to enter into an Exclusive Right to Negotiate Agreement for the Ferry Building (Resolution No. 98-114).

William Wilson and Associates subsequently merged with Cornerstone Properties, a national real estate investment trust, and is now known as Wilson Cornerstone. Wilson Cornerstone created a development entity known as Ferry Building Investors, LLC, to act as the developer for the Ferry Building project. The Port advises that Wilson Cornerstone, the parent company of Ferry Building Investors, is also currently constructing the Gap Headquarters building, at The Embarcadero and Folsom Street and was the developer for the restoration of the Flood Building, both landmark buildings in San Francisco. The Board of Directors and the Officers of Wilson Cornerstone, Inc. are identified in Attachment 3 provided by the Port.

7. As shown in Attachment 4 provided by the Port, Ferry Building Investors estimate project construction costs of approximately $70 million, which includes $2,683,333 of Ground Lease minimum rental payments to the Port during the construction period. According to Mr. Osmundson, the construction management firm of O'Brien Krietzberg has reviewed these estimates for the Port and determined them to be reasonable. However, Ms. Diane Millner of the City Attorney's Office reports that if the actual costs exceed the developer's estimates, then Ferry Building Investors would be liable for any cost overruns, and not the Port. However, Ms. Millner notes that any additional costs that are incurred by Ferry Building Investors will ultimately affect the Port's revenues, since the proposed project has shared public/private Participation Rent provisions.

8. The Ferry Building is a City landmark listed on the National Register of Historic Places. After construction is completed, the Developer expects to receive certification from the National Park Service that the construction complies with the Secretary of Interior's Standards for Rehabilitation, making the project eligible for a 20 percent Federal Historic Preservation Tax Credit. Mr. Osmundson advises that these Tax Credits, which are similar to the Federal Affordable Housing Tax Credits, will enable the Ferry Building Investors to increase the amount of cash available for the project, which will potentially increase the amount of net cash that will be available to split with the Port under the Rent Participation provisions.

9. Currently, the Ferry Building has 41 parking spaces. Under the proposed Ferry Building development, there would be no on-site parking. The Budget Analyst notes that the Planning Department in a letter of February 16, 1999 granted an exemption to the adjacent Pier 1 project from all Planning Code off-street parking requirements, which was previously approved by the Board of Supervisors. The current Planning Code requirement is for one off-street parking space per 500 square feet of office and retail space development and slightly higher off-street parking requirements for

restaurant space. Based on the projected use of the 269,000 square feet of the Ferry Building project, 514 off-street parking spaces would be required. However, according to Mr. Bash, this parking requirement may be reduced based on the Ferry Building's already existing deficit of parking. Mr. Bash advises that the developers for the Ferry Building project will be seeking an exemption from the Planning Department for such off-street parking requirements.

10. Under the proposed agreements, Ferry Building Investors will be required to carry various types of insurance (e.g., property insurance, commercial liability insurance, business insurance, etc.) and the agreements contain various indemnification provisions. Mr. Keith Grand, the City's Risk Manager reports that he has reviewed the insurance and indemnity provisions and he recommends the following amendments be incorporated in the Ground Lease, to further protect the City: (1) In Section 18.1(b), General Insurance Requirements, the Lease currently states that all insurance shall be carried under a valid and enforceable policy issued by insurers of recognized responsibility that are rated Best A-:VI or better. Mr. Grand recommends that the rating be changed from A-VI to A-VIII, which is a higher rating and is the City's usual minimum requirement for insurance carriers; (2) In Section 18.2, Port Entitled to Participate, the Lease currently states that the Port shall not be entitled to participate in and consent to any settlement, compromise or agreement with respect to any claim for any loss in excess of $5 million covered by the insurance required to be carried, if the tenant has agreed in writing to commence and complete restoration. Mr. Grand advises that the Port should be able to participate in such insurance settlements, that would otherwise go solely to Ferry Building Investors.

11. The proposed resolution would also adopt the findings with respect to the Final Negative Declaration for the Ferry Building Project, which was issued by the Planning Department on October 1, 1998. On August 24, 1999, the Port Commission adopted the Final

Negative Declaration and mitigation monitoring program for the Ferry Building Project.

12. In accordance with the proposed conditions for entering into the Ground Lease, as shown in Attachment 1, the Port must deliver the Ferry Building to Ferry Building Investors free of all tenants and occupants, except the World Trade Club (WTC), Limbach & Limbach and Amtrak, the three tenants with long-term leases in the Ferry Building. Furthermore, as stated in the Lease Disposition and Development Agreement, Ferry Building Investors is responsible, at no cost to the Port, for the relocation or buyout of these three long-term tenants, prior to beginning renovations of the Ferry Building. Mr. Osmundson advises that the World Trade Club is currently objecting to (1) potential termination of its short-term (month-to-month) lease provisions, (2) potential termination of its short-term parking lease on adjacent Port property and (3) the developer not negotiating in what the World Trade Club considers to be good faith.

13. In addition to the $88.4 million that the Port is estimating it will receive over the first 20 years of the proposed Ground Lease, Mr. Osmundson reports that the City will receive approximately $700,000 annually from Possessory Interest Taxes from Ferry Building Investors and approximately $300,000 annually from Sales Taxes generated by the proposed retail establishments, or a total of $1.0 million annually. Currently, Mr. Osmundson reports that the City receives approximately $250,000 annually from Possessory Interest Taxes paid by the various leasees in the Ferry Building and approximately $10,000 annually from Sales Taxes generated by the few retail establishments, or a total of $260,000. Possessory Interest Taxes are a means for the City to collect Property Taxes on public property that is used for private purposes. Overall, Mr. Osmundson estimates that the proposed Ferry Building project will generate an additional $740,000 of annual revenue for the City's General Fund.

14. As discussed above, the Port currently owns, operates and maintains the Ferry Building, including providing security, janitorial, garbage, utilities, insurance, maintenance, property management and administrative support functions. As shown in Attachment 5 provided by the Port, in FY 1998-99, the Port spent a total of $1,350,000 on such services for the Ferry Building. During FY 1998-99, the Port generated a total of $2,553,144 in gross revenues from the Ferry Building, thus realizing ($2,553,144 gross revenues less $1,350,000 of costs) $1,203,144 of net revenues for the Port.

It should be noted that by comparison, Ferry Building Investors projects that in 2003, the first year of occupancy for the new Ferry Building, total gross income will be approximately $12 million and operating expenses, including taxes (which the Port did not incur) will be approximately $3.2 million, resulting in a net operating income of approximately $8.8 million. After payment of the Port's base $1.4 million annual rent and estimated debt service payment of $3.6 million, Ferry Building Investors projects realizing a net cash flow of approximately $3.8 million, this first year of operation.

15. Under the proposed Ground Lease provisions, the Ferry Building Investors will assume responsibility for the construction, operation and maintenance of the Ferry Building beginning in January of 2001. Therefore, all of the $1,350,000 of costs that the Port is currently incurring to support the Ferry Building's operations and maintenance should cease. In addition, Mr. Osmundson advises that Ferry Building Investors will be responsible for maintaining the exterior area, up to 20 feet, surrounding the Ferry Building, which the Port currently maintains. Mr. Osmundson could not provide the Budget Analyst with an estimate of the additional costs that the Port currently incurs to maintain this exterior area, which will also no longer be necessary once Ferry Building Investors assumes control of the interior and exterior Ferry Building operations and maintenance.

Mr. Osmundson advises that the Port should be able to reduce its contracts for security and janitorial services and for the direct garbage, utility and insurance costs, at an estimated total annual cost of $1,087,000. However, Mr. Osmundson reports that the Port does not plan to cut back the reserve funds or the maintenance, property management and administrative staff that are currently assigned to the Ferry Building, at an estimated annual cost of approximately $263,000. Instead, Mr. Osmundson reports that the Port intends to reallocate such funds and staff to other Port properties, as needed. However, the Budget Analyst recommends that the FY 2000-2001 budget for the Port be reduced by $675,000, or the six month portion of the estimated $1,350,000 annual costs, which would no longer have to be incurred by the Port, assuming a January of 2001 transfer of the property from the Port to Ferry Building Investors. Furthermore, the Budget Analyst recommends that an additional $675,000 be reduced from the FY 2001-2002 Port budget, to reflect the additional six months of savings during the following year.

16. On September 10, 1999, Mr. Douglas Wong, the Executive Director of the Port issued a memorandum to the Members of the Finance and Labor Committee responding to the request for information on the development options available to the Port in restoring and rehabilitating properties, such as the Ferry Building. This memorandum discussed the Port's development options of having the (1) Port as Developer, (2) Port as Ground Lessor, and (3) Port as Ground Lessor under a Private-Public Partnership. The conclusion drawn in this memorandum is that "the Port will improve its chances of creating a successful project (thereby maximizing its revenue) by bringing in the capital resources and skills of Wilson Cornerstone as the developer," with the Port as Ground Lessor under a Private-Public Partnership.

The Budget Analyst notes that in both the Best and Conservative Case Projections included in this memorandum, the Port assumes that Ferry Building Investors will sell the Ground Lease in year 20, thus

realizing an additional $22.7 million to $39.7 million of revenue for the Port, under these two private developer scenarios. Similarly, as reflected in Attachment 2, the Port assumes not only a sale of the Ground Lease in year 20, netting the Port an estimated $24.5 million, but an additional $14.3 million from the Port's share of the refinancing proceeds in year 10 of the Ground Lease. Together, these two provisions would yield the Port $38.8, or approximately 44 percent of the total estimated $88.4 million projected over the 20-year period. Yet, while these scenarios assume the developer will sell the leasehold interest in year 20, Mr. Osmundson states that the Port cannot assure or even predict when or if the developer would ever refinance, transfer or sell the proposed Ground Lease.

17. If the Ferry Building Investors want to sell, transfer, assign or refinance the Ferry Building Ground Lease, such sale, transfer, assignment or refinancing would not be subject to the Board of Supervisors approval, according to Mr. Osmundson, unless there were to be amendments to the Ground Lease. Mr. Osmundson also advises that the Port cannot reasonably withhold the Port's consent of such a sale, transfer, assignment or refinance. However, given the 66-year long-term length of the proposed Ground Lease, and the likelihood that the lease may be sold at sometime in the future, the Budget Analyst recommends that such future sale, transfer or assignment of the proposed Ground Lease from the Ferry Building Investors be subject to review and approval by the Board of Supervisors.

18. The Budget Analyst raises the following concerns about the proposed Ground Lease for the Ferry Building: (1) the Port would occupy 3,000 square feet of additional space in the Ferry Building, in addition to the already increased Port administrative space of 45,630 square feet, and additional expansion potential of 30,000 square feet in the adjacent Pier 1 facility; (2) there is not proposed to be any parking available at the Ferry Building, although the Planning Code requirement is for 514 off-street parking spaces; (3) the City's Risk Manager recommends two insurance

provisions be changed to more adequately protect the City, as described in Comment 10 above; (4) the World Trade Club, an existing long-term tenant, has raised various objections; (5) the Port's intention to continue to maintain the same level of Port maintenance, property management and administrative staff and associated costs of approximately $263,000, after the Ferry Building is transferred to Ferry Building Investors for their operation and maintenance; (6) the reasonableness of the Port's financial analysis to include future sale of the Ground Lease for between $22.7 million to $39.7 million in net revenues to the Port, when the likelihood of such an event is unknown; and (7) any future transfer, sale or assignment of the proposed 66-year Ground Lease for the Ferry Building would not be subject to the Board of Supervisors approval, unless amendments were made to such Ground Lease.

19. Ms. Millner advises that the Board of Supervisors cannot amend the proposed Ground Lease, which is the subject of this proposed resolution. According to Ms. Millner, the Board of Supervisors can only approve, disapprove or continue the proposed resolution. Therefore, the Budget Analyst recommends that the Board of Supervisors continue the proposed resolution, to permit the Port to renegotiate with Ferry Building Investors regarding the issues raised in this report, as summarized in Comment No. 18.

20. Mr. Osmundson requests that the proposed resolution be continued to the Call of the Chair to permit the Port staff sufficient time to discuss the concerns raised by the Budget Analyst and to seek direction from the Port Commission.

Recommendations: Continue the proposed resolution to the Call of the Chair, as requested by the Port. In addition, request that the Port include the following amendments in the Ferry Building Ground Lease: (1) the City's Risk Manager's recommended changes pertaining to insurance provisions, as described in Comment 10 above; and (2) require that any future sale, transfer or assignment (except for assignment for the purpose of

financing) of the Ground Lease, be subject to approval by the Board of Supervisors, as described in Comment 17 above. In addition, before the Board of Supervisors approves the proposed resolution, the Port should provide a plan in writing to the Board of Supervisors on specifically how the Port will reduce their FY 2000-01 budget by $675,000, and the Port's FY 2001-02 budget by an additional $675,000, for a total annualized reduction of $1,350,000, in accordance with our analysis as described in Comment 15 above.

Furthermore, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors, due to the numerous issues raised in Comment No.18 above.

Following are the conditions that must be satisfied for the escrow to close, whereby the Lease and the site will be delivered to Developer:

- Port has approved the construction design documents.
- Port has issued a full building permit or a site permit.
- Developer has submitted to the National Park Service Part 2 of the Historic Preservation Certification Application.
- Developer has received all required approvals from regulatory agencies, including BCDC.
- Developer has submitted to the Port an updated Construction Budget, and evidence of a guaranteed maximum price contract for the construction of improvements consistent with the Construction Budget.
- Developer has provided the Guaranty.
- Pier 1 is completed.
- Developer has submitted evidence regarding the establishment of an investment entity to utilize Historic Tax Credits.
- Developer has submitted a certificate of insurance for required insurance coverage and the title company is prepared to insure title.
- Executed copies of the Lease have been submitted into escrow.
- The Ferry Building is free of all tenants and occupants, except WTC, Limbach and Amtrak.
- Developer has submitted a First Source Hiring Agreement and an HRC Certificate of Compliance and the Port has approved them.
- Port has completed certain offsite work in the Apron Area and issued permits to enter to Developer for staging and other construction activity.
- There have been no adverse changes in the condition of the site.

IV. FINANCIAL ANALYSIS

As previously discussed, under the Lease the Port stands to receive revenue from the project as follows:

Minimum Rent: Guaranteed $1.4 million annually

Annual Consumer Price Index ("CPI") Adjustment: Between 10% and 20% every five years, after operating expenses, reserves and debt service. Unpaid CPI adjustments accumulate.

Participation Rent: 50% of net cash flow, after 11% developer return on equity. Unpaid return on developer equity accumulates.

Participation in Refinance Proceeds: Port receives 30% of net proceeds from refinancing.

Participation in Transfer or Sale Proceeds: Port can elect to receive 30% of net proceeds from a transfer or sale, but thereafter relinquishes its 50% participation in net cash flow.

The scenario presented below is for a 20 year period, assuming 3% inflation, a refinance after 10 years, and a sale after 20 years.

Port Revenue	Cumulative Port Revenue, Developer Projected Rents
Minimum Rent	$28.0 million
CPI Adjustment Rent	$5.6 million
Participation Rent	$16.0 million
Refinancing Proceeds	$14.3 million
Sale Proceeds	$24.5 million
TOTAL	$88.4 million

Attachment 3

CORNERSTONE PROPERTIES INC.

BOARD OF DIRECTORS

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Chairman of Cornerstone Properties Inc.

JOHN S. MOODY
President and Chief Executive Officer of Cornerstone Properties Inc.

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Real Estate Consultant to Pensioenfonds PGGM

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Executive Vice President of Cornerstone Properties Inc

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Chairman of the Center for Real Estate at the Massachusetts Institute of Technology

DONALD G. FISHER
Chairman and Founder of Gap Inc.

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Director of Real Estate Investments for Pensioenfonds PGGM

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CASSANDRA J. TORKILDSON
Vice President, Human Resou

MARTIN J. WARD
Vice President, East Bay Regi

FERRY BUILDING LEASE DISPOSITION AND DEVELOPMENT AGREEMENT
Form of Budget

Construction Budget:		
Acquisition of Ground Lease		$927,000
Lease Modification Costs		5,109,929
Environmental Mitigations		3,750,000
Entitlements		281,000
Architects & Engineers		4,334,212
Shell Construction		37,832,500
Retail Tenant Work		968,415
Office Tenant Work		5,982,500
Retail Leasing Commissions		849,410
Office Leasing Commission		1,037,219
Marketing Expenses		178,000
Legal		222,000
Financing Fees		756,000
Development Fee		2,610,127
Contingency		2,037,500
Development Period Interest		2,638,551
Operating Shortfall:		
Development Period Ground Rent	$2,683,333	
Development Period Operating Expenses	1,924,150	
Less: Development Period Income	(4,221,866)	
		385,617
Total Construction Budget		$69,899,980

Ferry Building/World Trade Center
Expenses
Fiscal Year 1998-99

Description	Estimated Annual Amt. ($000's)
Security	$128
Janitorial	370
Scavenger	39
Electricity	340
Gas	72
Water/Sewer	38
Insurance	100
Maintenance & Reserves	176
Administrative	87
TOTAL	$1,350

Item 2 – File 99-1619

Department: Airport

Item: Ordinance amending Article XIII, Chapter X of the Administrative Code by adding Section 10.114-3 to establish a new Special Account known as the "Airport Promotion and Event Account"; to authorize the Airport Commission to accept cash donations, property, and personal services which would accrue to the Special Account; to authorize the Airport Commission to expend monies from the Special Account; to carry over unexpended monies in the Special Account from one fiscal year to the next; and to require quarterly reports to the Board of Supervisors on revenues to, and expenditures from, the Special Account.

Comment: The Airport has requested that this item be continued until the December 1, 1999 meeting of the Finance and Labor Committee.

Recommendation: In accordance with the Comment above, continue the proposed ordinance until the December 1, 1999 meeting of the Finance and Labor Committee.

Item 3 - File 99-1923

Department: Mayor's Criminal Justice Council

Item: Ordinance amending Article XIII, Chapter 10, Part I of the San Francisco Municipal Code (Administrative Code) by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through Community Court Dispute Resolution Programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the Community Courts.

Description: Community Courts, according to Mr. Travis Kiyota of the Mayor's Criminal Justice Council, are a State authorized means of diverting quality of life misdemeanor offenses from the traditionally backlogged courts and criminal justice system to the community where the offenses occurred. Mr. Kiyota advises that the quality of life misdemeanor cases referred to Community Courts include open alcohol containers, petty gambling, loitering, shop lifting, possession of small quantities of marijuana, grafitti, etc. Mr. Kiyota advises that in November of 1998, the City created two Community Courts in the City, one in the Bayview and one in the Oceanview-Merced-Ingleside (OMI) Community.

The California Community Dispute Services, a non-profit organization, with the assistance of the District Attorney's Office, trains community residents and merchants to sit as the three volunteer panel members on each Community Court to hear these misdemeanor cases. The District Attorney's Office forwards letters to the individuals cited for the misdemeanor cases referring them to the specific Community Courts at a set-aside date and time. Alternatively, the individual cited with the misdemeanor can choose to go through the traditional court system to settle the matter.

During the hearing before the Community Court, a Police Officer is present to read the case report. The

panel members then question the individual regarding the misdemeanor case. The panel then decides on the case, and if found guilty, the panel typically gives the individual a choice of paying a fine or performing community service.

If the individual chooses community service, they are referred to the Pretrial Diversion Project, a non-profit organization, that provides community services, under contract with the Sheriff and the Department of Parking and Traffic. If the individual chooses community service, the individual will be required to perform the community service hours in the community where the misdemeanor occurred. Mr. Kiyota reports that those individuals choosing to pay the fine are required to pay the fine to the City and County of San Francisco. According to Mr. Kiyota, the California Community Dispute Services collects the fines and forwards the checks to the Fiscal Division of the Police Department, which deposits the funds into a Bank of America account, known as the Community Court Dispute Resolution Program Funds.

As of November 3, 1999, Mr. Kiyota reports that the Community Court Dispute Resolution Program had a balance of $12,262 in the Bank of America account, including $11,137 from the Bayview and $1,125 from the OMI. To date, Mr. Kiyota advises that none of the collected fines have been expended. According to Mr. Kiyota, if the proposed ordinance is approved, all of these funds will be transferred to the proposed Controller accounts.

Mr. Kiyota advises that the OMI Community Court is planned to be expanded to include the entire area covered by the Taraval Police Station, and to be renamed the Taraval Community Court. The proposed ordinance would require the Controller to separately account for the penalties, fines and other payments awarded to the City and County by (1) the Bayview Community Court, (2) the Taraval Community Court and (3) any additional Community Courts established in other San

Francisco neighborhoods. Furthermore, Mr. Kiyota reports that the penalties, fines and other payments referenced in the proposed ordinance would include the fines received by the Community Courts from the individuals cited for the misdemeanors as well as any other gifts of funds that the Community Courts might receive. Mr. Kiyota reports that to date, the Community Courts have not received any gifts of funds, but there has been no means to accept such gifts.

Under the proposed ordinance, funds deposited into each of these Community Court accounts could only be expended to enhance public safety and the quality of life in that specific community (i.e., Bayview, Taraval or other neighborhood communities), and to support the specific Community Court Programs. In other words, the funds awarded by the Bayview Community Court could only be expended to enhance public safety and the quality of life in the Bayview Community and to support the Bayview Community Court Program.

In accordance with the proposed ordinance, the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney, Chief Executive Officer of the Superior Courts and the Controller shall establish guidelines for the specific disbursement of the penalties, fines and other payments, consistent with the guidelines outlined above. Any expenditure of $5,000 or less could then be disbursed by the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney and the Chief Executive of the Superior Court. Any expenditure in excess of $5,000 would also require appropriation approval by the Board of Supervisors. As stated in the proposed ordinance, all costs that may be incurred by any City department in administering these monies shall be absorbed within that department's existing budget.

Comments:

1. According to Mr. Eugene Clendinen of the Mayor's Criminal Justice Council, the initial two

Community Courts were established as a pilot program to address minor misdemeanors occurring in these communities, that are diverted from the Trial Courts. Mr. Clendinen reported that these two Community Courts were established through an initial $50,000 Federal law enforcement block grant and have been continued with a $150,000 Federal Department of Justice grant. According to Mr. Kiyota, the current Federal law enforcement grant ends in April of 2000. Mr. Kiyota reports that if these projects are determined to be successful, the Mayor's Office will recommend other funding sources to continue the operations of these Community Courts.

2. Mr. Ed Harrington reports that he has reviewed the proposed ordinance, which would require the Controller to separately account for the fines awarded to the City through the Community Court Dispute Resolution Programs. Mr. Harrington advises that this is a preferable arrangement than an earlier version of this legislation which had required the creation of additional Special Funds by the Controller's Office. According to Mr. Harrington, any interest earnings from the proposed funds will accrue to the City's General Fund.

3. Mr. Kiyota advises that the proposed ordinance specifically states that "No cost that may be incurred by any City department in administering these monies shall be recovered therefrom." Therefore, Mr. Kiyota reports that under the proposed ordinance, neither the Controller nor any other City department would receive reimbursement for the costs of administering the proposed accounts. The costs to administer these funds are generally minimal, according to Mr. Harrington. However, Mr. Harrington advises that if maintaining these accounts becomes a problem, the Controller's Office will notify the Board of Supervisors at that time, in order to remedy the situation.

4. As noted above, the current two Community Courts have been initiated with grant funds, which are due to terminate in April of 2000, approximately five months. Based on discussions with the Mr. Kiyota, although the funds can be used to support the Community Court programs, the main purpose of the proposed ordinance is to expend the funds collected by the Community Courts to enhance public safety and the quality of life in each of the Community Court communities. Mr. Kiyota furthermore notes that the funds generated by the Community Courts are not sufficient to sustain the overall operations and maintenance of the Courts.

Mr. Kiyota reports that each Community Court currently has two staff members, one from Pre-trial Services and one from the California Community Dispute Services, both non-profit organizations. Mr. Kiyota estimates that the operating costs for each of the Community Courts is approximately $70,000 to $80,000 annually. Therefore, the Budget Analyst believes that a funding source should be identified to provide the ongoing operations and administration for the Community Courts, if they prove successful.

5. In accordance with the proposed ordinance, appropriation of funds less than $5,000 would not be subject to the Board of Supervisors approval. The Budget Analyst notes that since the creation of the two Community Courts in November of 1998, approximately one year ago, a total of only $12,262 has been generated by the fines and penalties assessed by the two Community Courts. Given the amount of funds currently being generated by each of these Community Courts, it is not likely that there would be allocations of funds greater than $5,000 in the near future. Mr. Kiyota responds that he anticipates the expenditures would be in increments of approximately $500 or less, which, in accordance with the proposed ordinance, would not be subject to the Board of Supervisors approval.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 4 – File 99-2005

Department: Controller

Items: Resolution specifying the amount ($159,296,139) of FY 1998-99 ad valorem Property Tax revenue shifted from each local agency within the City and County to the Educational Revenue Augmentation Fund (ERAF) established by State law and agreeing to conditions imposed by the State for allocation to the City and County of certain State funds.

Description: Ms. Ann Carey of the Controller's Office advises that under State Assembly Bill (AB) 1661, the State intends to allocate to counties a statewide total of $150 million in AB 1661 State Relief Funds. The AB 1661 allocation will be based on: 1) population and 2) the amount of local Property Taxes to be transferred by the counties to school districts for FY 1998-99 under the State-mandated Educational Revenue Augmentation Fund (ERAF).

State law requires the County Auditor in each county to transfer a portion (21.2 percent in FY 1998-99) of ad valorem Property Tax revenue from all counties, cities, and special districts into the State's ERAF. The ERAF monies are then redistributed by the State to local school districts and community college districts. Under Assembly Bill (AB) 1661, counties may apply for State Relief Funds to partially offset the funds transferred by the county to the State in accordance with State law.

The proposed resolution would comply with State requirements for the City and County to receive the AB 1661 State Relief Funds. The proposed resolution: (a) certifies that for FY 1998-99 the City and County shifted $159,296,139 in ad valorem Property Tax revenue into the State's ERAF; (b) directs the Clerk of the Board to send a certified copy of this resolution and other required documentation to the State Controller's Office; (c) states that the County will comply with allocation guidelines for the State Relief Funds; and (d) states that the County waives its right to claim reimbursement for the cost of administering this process.

Comments: 1. As noted above, the AB 1661 allocation to be paid by the State to counties will be based on: 1) population and 2) the

amount of local Property Taxes transferred by the counties to school districts for FY 1998-99 under the ERAF. Ms. Carey reports that, in FY 1999-2000, San Francisco will receive $1,755,382 based on its population and at least that amount from the ERAF allocations, for a total of at least $3,510,764. The ERAF allocations will be determined once the State has received certified ordinances or resolutions from counties by December 1, 1999, according to Ms. Carey.

2. On October 20, 1999, the Board of Supervisors approved a supplemental appropriation (File 99-1880) in the amount of $3,101,242 in AB 1661 State Relief Funds payable by the State to San Francisco. The funds were approved in order to offset a shortfall in the FY 1999-2000 DPH budget as a result of the State's reduced allocation of Tobacco Tax Fund revenues to San Francisco under the California Healthcare for Indigents Program (CHIP). Ms. Carey reports that any remaining funds received under AB 1661, which as of the writing of this report is estimated to total at least $409,522 ($3,510,764 minus $3,101,242), would accrue to the City's General Fund for FY 1999-2000.

Recommendation: Approve the proposed resolution.

Item 5 – File 99-2019

Department: Police Department
Airport

Item: The proposed ordinance would authorize an amendment to a Memorandum of Understanding (MOU) previously approved by the Board of Supervisors (Amendment Number 4) between the San Francisco Police Officers Association (POA) and the City and County of San Francisco. The MOU was previously approved for the five-year period from July 1, 1996 through June 30, 2001. The proposed amendment would increase Canine Bomb Detection premium pay by $30 biweekly, from $75 to $105, or an increase of 40 percent, retroactive to July 24, 1999, for nine Police Officers and one Sergeant assigned to the Bureau of Airport Police who are responsible for Airport canine/bomb detection matters.

Description: According to Captain Jim Lynch of the Airport, the Airport Police were merged with the San Francisco Police Department on January 1, 1997. Captain Lynch advises that the POA contended that the canine bomb detection responsibilities performed at the Airport involve greater personal risk to the Police Officers involved and therefore warrant an increase in premium pay for such responsibilities over the $75 biweekly premium pay for canine duties presently paid to Police Officers who do not work at the Airport. After mediation between the POA and the City before a mediator, Mr. Barry Winograd, jointly selected by the POA and the City, the POA and the City agreed on the proposed premium pay of $105 biweekly, an increase of $30 or 40 percent from the existing premium pay of $75 biweekly.

As shown on the Attachment to this report provided by Ms. Peg Stevenson of the Controller's Office, the Controller estimates that the costs to the Airport to increase the premium pay for FY 1999-2000 would be $4,800. Ms. Stevenson reports that sufficient funds have already been appropriated in the Airport budget.

Comment: According to Mr. Martin Gran of the City Attorney's Office, the proposed amendment was mediated, and therefore is not binding. Mr. Gran advises, however, that if the proposed

amendment is not approved the matter would be submitted to binding arbitration.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Edward Harrington
Controller

November 10, 1999

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Amendment to Memorandum of Understanding with San Francisco Police Officers Association, File 99-2019

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the Memorandum of Understanding between the City and County of San Francisco and the San Francisco Police Officers Association. The amendment covers the period July 22, 1999 through June 30, 2001, and affects approximately 210 Police Airport Bureau employees with a salary base of approximately $13.7 million. Based on our analysis, the amendment will result in an incremental cost of approximately $4,800 in FY 1999-2000. Sufficient funds for this purpose have already been appropriated in the Airport budget.

If you have any additional questions or concerns please contact Peg Stevenson of my staff at 554-7522.

Sincerely,

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Item 6 – File 99-2020

Department: Human Resources Department (HRD)

Item: Resolution authorizing the Human Resources Department to settle the pay grievance of Service Employees International Union, AFL-CIO, Local 790, 535, and 250, on behalf of it affected members, filed pursuant to the Memoranda of Understanding between the Service Employees Union, AFL-CIO, Local 790, 535, and 250, and the City and County of San Francisco, in an amount not to exceed $360,000.

Settlement Amount: Not to exceed $360,000

Source of Funds: Fiscal Year 1999-2000 Departmental Budgets for Affected Departments

Description: The proposed resolution would authorize the Human Resources Department (HRD) to settle a grievance filed by the Service Employees International Union (SEIU) against the City. Settlement of the grievance would authorize the City to pay salary step increases to affected permanent employees who (a) were working temporarily in a higher classification between May 1, 1995 through June 30, 1997, and (b) did not receive the same salary step increases provided to employees who permanently occupied such higher classifications.

Comments:

1. According to Ms. Alice Villagomez of HRD, SEIU filed a grievance regarding a Memorandum of Understanding (MOU) provision, which provided salary step increases between May 1, 1995 through June 30, 1997, to temporary City employees. In the grievance, SEIU claimed that, based upon their interpretation of the subject MOU, employees who were working temporarily in a higher classification, but who held a permanent position in a lower classification, should have been paid the salary step increase at the same rate as those employees who permanently occupied the higher classification. Ms. Villagomez states that the proposed grievance settlement would authorize such salary step

increases to the applicable employees[1]. The necessary salary step adjustments would be paid for the period retroactive from May 1, 1995, through June 30, 1997. According to Ms. Villagomez, the settlement agreement is justified because, when negotiating the MOU, the parties' intent was to provide such salary step increases to all employees who were working temporarily in the higher classifications.

2. Attachment I, provided by Ms. Villagomez, further explains the SEIU grievance against the City.

3. Ms. Villagomez reports that 96 employees would receive the appropriate salary rate adjustments under the proposed settlement, totaling $329,252.03. The one-time cost of $329,252.03 is to be absorbed within the respective departmental budgets of the applicable employees. Attachment II, provided by HRD, contains the list of the affected employees and the amount of the salary adjustments, ranging from a low of $140.80 to a high of $14,971.70. Attachment III, provided by HRD, contains the basis of the calculations, resulting in one employee receiving $14,971.70 in salary step adjustments.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

[1] The subject grievance only affects permanent City employees, working temporarily in a higher classification, if the pay differential between their temporary and permanent classification were greater than 10 percent.

Attachment I

City and County of San Francisco

Department of Human Resources

ANDREA R. GOURDINE
HUMAN RESOURCES DIRECTOR

MEMORANDUM

TO: Harvey Rose, Budget Analyst

FROM: Alice Villagomez, Deputy Director, ERD
Department of Human Resources

DATE: November 9, 1999

RE: Summary of Provisional Step Grievance Settlement with SEIU
File No. 99-2020

In 1996 a dispute arose as to application of a provision of the 1994-1997 MOU, regarding step increases for full-time provisional employees with permanent status in another classification. A tentative settlement was reached in June of 1996; however, the settlement was not finalized by the Union. The terms of the settlement were incorporated into the current MOU: all provisional employees with permanent status in another classification are entitled to step increases. The City agreed to identify the universe of employees eligible for retroactive pay – those with permanent status in one classification who accepted provisional appointments in another classification between May 1, 1995 and June 30, 1997 – and to calculate the amounts owed for each employee. Due to the difficulty in collecting and verifying this historical data, the process was protracted and only recently completed.

The settlement applies only to employees who are entitled to receive retroactive pay, consistent with the intent and explicit language of the current memorandum of understanding. This in turn will promote consistent and uniform application of pay provisions.

The settlement amount will not exceed $360,000. Ninety-six (96) employees will receive retroactive pay, ranging in amounts from $141.00 to $14,972. The funds will come out of each department's budget. This settlement is intended as a one-time expenditure; however, some leeway will be granted to allow individual grievants to challenge department calculations, and to allow potential unnamed grievants to come forward with a claim within a specified time period.

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DEPT.	LAST NAME	FIRST	MI	AMOUNT
05	Porchia	Lawrence		14,971.70
08	Washington, Jr.	William		295.00
27	Wilson	Stacey	A	318.50
32	Lamont-Stevens	Bonnie	P	7,615.42
33	Erfe	Edna	J	1,921.90
36	Ho	Teresa	L	1,390.50
39	Bauer	Jeffrey	A	3,778.00
39	Onyemem	George	U	6,215.30
41	Brooks-Burton	Linda	E	3,395.80
41	Chan	Vivian	C	2,302.50
41	Chang	Rosalind	A	3,441.17
41	Chee	Lorna	C	3,442.54
41	Delgadillo-Romo	Isabel	B	3,444.29
41	Hall	Mark	S	3,455.15
41	Haskell	Gardner	R	6,418.50
41	Hudson	Mary	J	3,427.11
41	Lawhun	Kathryn	S	3,256.61
41	Lent	Laura	J	3,461.91
41	Tavis	Thomas	L	2,598.48
41	Van Buskirk	James	E	761.67
41	VanderBorght	Barbara	A	2,179.25
41	Wampole	Eileen	M	3,444.35
41	Arroyo	Lorena		4,908.97
41	Chang	Leona	K	5,493.22
41	Hui	Thomas	T	5,391.00
41	Kha	Hao		831.25
41	Kilzer-Hill	Doriene		8,173.39
41	Ortiz	Jeannette		6,761.17
41	Wedgley	Judy	L	3,368.99
41	Xu	Ping	P	9,020.31
41	Jones	Ackerman		11,460.29
41	MacFarland	David	G	3,917.20
41	Ng	Annie	P	7,122.83
41	Fowler	Thomas	S	5,259.80
41	Hom	Susan	K	2,856.35
41	Ronquillo	Avelina	S	1,522.26
41	Sherrod-Flores	Michael		726.22
42	Tolbert	Orlando	J	408.76
42	Lew	Parkman		2,652.84
42	Woo	Linda		3,507.57
42	Cassinelli	Frank	D	1,266.15

DEPT.	LAST NAME	FIRST	MI	AMOUNT
42	Jimenez	Oscar	R	3,264.90
42	Lee	Sandra		2,866.03
42	Threat	James		3,512.93
44	Anyiam	Emmanuel	O	1,296.90
44	Cerezo	Imelda	D	4,168.60
44	Resendez	Eric	T	4,168.60
44	Tham	Shirley	S	1,652.00
45	Kennedy, Jr.	Francis	A	2,729.80
45	Castillo	Ann	M	8,278.34
45	Stafford	Michael		3,195.70
45	Drago	John	D	603.00
45	Hoberg	Eric	G	2,854.99
45	Joseffer	Michael		418.00
45	Verbrugghe	Roseline	E	906.60
45	Barragan	Jesus		3,551.00
45	Barrett	Peter	K	3,539.90
45	Burris	Tracy	J	3,798.12
45	Clements	Eugene	E	454.40
45	Crudo	Elizabeth	A	502.58
45	Isom	Sophia	G	230.00
45	Rybka	Hester	M	230.00
45	Yates	Renee	G	768.40
45	Esbaugh	Jan	E	6,065.60
45	Hang	Lily		153.33
45	Dahlin, Jr.	Peter	M	4,575.10
45	Chow	Rose		1,195.50
47	Vaquera	Hope		4,242.99
81	Alano	Teresita	L	1,986.10
81	Davenport	Angela		1,892.02
81	Enerio	Flordeliza		1,936.35
81	Lew	Lily	J	140.80
83	Fong	Linda	M	7,462.62
83	Vasquez	Angela		1,826.93
83	Sias	Van		3,926.54
83	Griffin	Tonya	T	3,035.35
83	Castaneda	Diana Galvez		2,658.20
83	Garrido	Lorna		1,232.33
83	Ho	Lai	Y	1,818.95
85	Miller	Clay	A	2,462.21
86	Perez	Maria		3,734.97
86	Dreaper	George	K	5,699.53
86	Fazackerley	James	M	8,721.24

DEPT.	LAST NAME	FIRST	MI	AMOUNT
86	Credo	Wenifredo		352.92
86	Ramos	Fredy		7,245.00
87	Eat	Sam	A	12,540.52
87	Hwee	Salome	S	9,146.70
87	Mariscal-Rocha	Micaela		9,147.00
87	Fernandez	Gertrude	R	528.36
87	Flores	Carmen	M	537.23
87	Griffin	Joyce	N	1,230.76
90	Torres	Lourdes	D	201.60
90	Moore	Grace	L	1,599.17
90	Castellanos	Ivo	N	487.40
90	Yuan	Sally	N	395.90
90	Mistler	Ralph	N	3,797.80
		TOTAL		$329,252.03

Attachment III

City and County of San Francisco

Department of Human Resources

ANDREA R. GOURDINE
HUMAN RESOURCES DIRECTOR

MEMORANDUM

TO: Harvey Rose, Budget Analyst

FROM: Alice Villagomez, Deputy Director, ERD
Department of Human Resources

DATE: November 10, 1999

RE: Calculation of Retroactive Pay for SEIU Provisional Step Settlement
File No. 99-2020

Ninety-six (96) employees will receive retroactive pay, ranging in amounts from $141.00 to $14,972. Several factors affected the calculation and account for the broad range in retroactive pay amounts. These factors included:

- Salary schedule
- Salary step of employee in provisional class
- Number of hours worked
- Amount of time the situation continued
- Change in appointment status

Thus for example, an employee who was at Step 4 in a provisional classification in May of 1995 and reached Step 5 the next year would only receive retroactive pay for a short amount of time. Or an employee who returned to the prior permanent classification within a few months of May of 1995 similarly would receive a smaller amount of retroactive pay. Conversely, a handful of employees who were at or near Step 1 in a provisional classification in May of 1995 and did not have their anniversary date corrected until recently are owed significantly larger sums.

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Item 7 – File 99-2072

Department: Human Resources Department (HRD)

Item: Resolution authorizing settlement of the compensatory time-off/shift differential grievance of Service Employees International Union, AFL-CIO, Local 790, on behalf of its affected members, filed pursuant to the Memorandum of Understanding between the Service Employees International Union, AFL-CIO, Local 790, Staff and Per Diem Nurses, and the City and County of San Francisco, in an amount not to exceed $125,000.

Settlement Amount: Not to exceed $125,000

Source of Funds: Fiscal Year 1999-2000 Department of Public Health Budget

Description: The proposed resolution would authorize the Human Resources Department (HRD) to settle a grievance filed by the Service Employees International Union (SEIU), Local 790, against the City. The proposed settlement agreement would affect staff and per diem Nurses who (a) worked overtime hours from 3:00 p.m. until 7:00 a.m., and (b) who elected to receive compensatory time-off rather than to be paid in cash for the overtime hours worked. These Nurses had been paid for their compensatory time-off at their base wage rate, without receiving night shift differential pay. Under the proposed settlement, such Nurses would be paid the applicable night shift differential. Settlement of the grievance would authorize the City to pay the night shift differential to 413 applicable Nurses, retroactive from October 7, 1995, through August 21, 1998, in an amount not to exceed $125,000.

Comments: 1. According to Ms. Alice Villagomez of HRD, under the proposed settlement, the City would pay the night shift differential, retroactive from October 7, 1995, through August 21, 1998, to 413 Nurses who worked overtime hours between 3:00 p.m. and 7:00 a.m. and who elected to take compensatory time-off rather than be paid in cash for overtime. Ms. Villagomez states that the settlement agreement is justified because such Nurses would have

received the night shift differential pay, in addition to their hourly base rate, if they had elected to be paid cash for their overtime, instead of taking compensatory time-off.

2. As shown in Attachment I, provided by HRD, the total cost to pay the applicable 413 Nurses is $110,458.89. Attachment I contains a list of the affected Nurses and the amount of the night shift differential pay for each Nurse, ranging from a low of $1.45 to a high of $3,324.63. Attachment II, provided by Ms. Villagomez, contains the basis of the calculations, resulting in one Nurse receiving $3,324.63 in night shift differential pay, and a further explanation of the SEIU grievance against the City.

3. According to Ms. Villagomez, SEIU Local 790 filed the subject grievance on behalf of the Nurses, pursuant to the Staff and Per Diem Nurses' MOU with the City. Therefore, the resolution should be amended to delete reference to SEIU Locals 535 and 250.

Recommendations:

1. Amend the proposed resolution to delete reference to SEIU Locals 535 and 250, as noted in Comment 3 above.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

NAME	AMOUNT	PERIOD
Abad, Librada	105.26	10/07/95 - 08/21/98
Abarca, Alfredo	55.62	
Acob, Aurelia	726.7	
Acob, Faina	17.55	10/07/95 - 08/21/98
Agcaoili, Estela	659.63	
Alameda, Loretta	176.34	10/07/95 - 08/21/98
Aldon, Aurea	116.35	
Alfonzo, Raquel	98.63	10/07/95 - 08/21/98
Allen, Oscar	215.7	
Allen, Renee	46.33	10/07/95 - 08/21/98
Allison, Janet	125.68	
Alvarez, Celsa	325.05	10/07/95 - 08/21/98
Amat, Ligaya	11.58	10/07/95 - 08/21/98
Amodo, Maribel	724.65	10/07/95 - 07/24/98
Ancheta, Pastora	260.7	
Ancheta, Rosalinda	1126.33	
Andes, Evelyn	671.63	
Angeles, Esperanza	720.09	
Aragon, Ruby	129.89	
Arrajj, Michael	11.58	
Arsenault, Mary	3.47	
Ascano, Fatima	141.37	10/07/95 - 07/24/98
Avery, Paula	491.4	10/07/95 - 07/24/98
Ayco, Soledad	70.36	
Babb, Eileen	133.2	
Babiera, Thelma	982.76	
Bacci, Patty	1067.52	10/07/95 - 07/24/98
Baker, David	884.91	10/07/95 - 07/24/98
Balmes, Lenneth	72.27	
Barall, Valerie	491.01	10/07/95 - 07/24/98
Bautista, Editha	116.18	
Bautista, Emelita	680.68	
Bendebel, Asuncion	645.05	
Bennett, Myrna	57.92	
Bergeron, Charles	553.54	10/07/95 - 07/24/98
Beshue, Giday	327.97	10/07/95 - 07/24/98
Bianco, Hijasmin	20.55	10/07/95 - 08/21/98
Billote, Sophia	105.87	
Bitanga, Norma	135.46	
Bolt, Christopher	91.39	10/07/95 - 07/24/98
Boone, Hugh	11.58	
Bosch, Lilia	107.42	
Boychuk, Therese	2197.51	10/07/95 - 07/24/98
Boyle, Karen	49.81	
Britting, Marie	104.25	10/07/95 - 08/21/98
Brock, Michael	8.69	10/07/95 - 08/07/98
Brotario, Dennis	392.3	10/07/95 - 07/24/98
Brunig, Regina	275.81	

Bueno, Oscar	5.37	
Bumanglag, Melanie	87.12	
Burford, Leonard	672.4	
Burns, Majella	22.63	
Bush, Judy	48.65	
Bustos, Fidelita	199.24	10/07/95 - 08/21/98
Butts, John	81.08	10/07/95 - 08/07/98
Byrne, Joseph	26.45	10/07/95 - 07/24/98
Cabrera, Josephine	464.18	
Carr, Patricia	232.24	
Carrillo, Hector	11.58	
Carson, Andra Loy	2.81	
Castaneda, Renita	34.75	
Castillo, Maricel	27.99	10/07/95 - 07/24/98
Chavez, Mana	67.06	
Chia, Nancy	4.34	
Chiu, Howard	35.62	10/07/95 - 07/24/98
Clark, Willa	143.23	10/07/95 - 07/24/98
Clatworthy, Alycia	47.03	
Collins, Jaquelynn	39.21	
Connolly, Mary	74.09	
Cosmiano, Teresita	696.39	10/07/95 - 08/21/98
Cramer, Nancy	175.47	
Cruz, Daisy	116.95	
Cu, Preciousa	721.36	
Cuaresma, Armando	1026.2	10/07/95 - 08/07/98
Cunningnam, Fran	104.59	10/07/95 - 08/07/98
Curameng, Sonia	152.85	10/07/95 - 08/21/98
Daly, Michael	23.17	10/07/95 - 08/21/98
Daniels, Heral Al.	43.78	
Davenport, Christine	65.77	10/07/95 - 07/24/98
De Jesus, Mana	77.74	
De Peralta, Archelita	386.38	
Defilippis, Bernaoette	703.73	10/07/95 - 07/24/98
Del Campo, Eva	23.17	
Delamerced, Maria	546.25	
Delatorre, Cecilia	133.4	10/07/95 - 07/24/98
Delcarlo, Christine	466.77	
Denmark, David	34.75	10/07/95 - 08/21/98
Dentoni, Teresa	416.99	
Depakakibo, Isidora	725.09	10/07/95 - 08/21/98
Devera, Leticia	81.07	
Devera, May M.	557.36	
Diaz, Floribel	101.4	10/07/95 - 08/21/98
Dicks-Chaprack, Laune	35.09	
Dickson, Juanita	300.45	
Dignadice, Nenette	672.35	
Dirlam-Ching, Elise	325.47	10/07/95 - 07/24/98
Dizon, Justina	645.01	10/07/95 - 07/24/98

Dobbas, Marilyn	162.51	10/07/95 - 08/21/98
Dolar, Marina	146.69	
Domingo, Demetria	11.58	10/07/95 - 08/21/98
Doremus, Gunilla	176	
Duguay, Michele	1148.46	10/07/95 - 07/24/98
Dunleavy, Noreen	58.26	10/07/95 - 08/21/98
Dunne, Mary	576.48	10/07/95 - 07/24/98
Dusich, Joanna	249	
Dy (Gaetos), Dahlia	580.89	
Efross, Monnie	95.4	
Ellenberg, Terri	154.24	10/07/95 - 07/24/98
Escribano, Christina	855.17	10/07/95 - 08/07/98
Esmero, Mary	726.36	10/07/95 - 08/21/98
Espil, Annette	541.24	
Estoniana, Felisa	116.69	10/07/95 - 08/21/98
Evangelista, Cecilio	499.1	
Evangelista, Elsa	202.11	
Evans, Lilia	11.58	10/07/95 - 08/07/98
Feldman, Karen	52.99	
Fernandez, Lisa	81.08	10/07/95 - 08/21/98
Fernando, Virginia	17.63	
Fiame, Connie	160.65	10/07/95 - 07/24/98
Flanagan, Kathleen	288.2	
Fleming, David	116.4	
Flores, Mariano	111.17	
Fong, Jane May	72.48	10/07/95 - 08/21/98
Foronda, Lily	123.01	
Fortaleza, Grace	287.47	
Foster, Stephen	680.9	
French, Victor	505.83	10/07/95 - 07/24/98
Frias, Josephine	101.35	10/07/95 - 08/21/98
Friedman, Adam	54.5	10/07/95 - 07/24/98
Frith, Yvette	232.72	10/07/95 - 07/24/98
Fung, Berna	105.09	
Gacula, Linda	70.19	
Gacula, Perlita	719.65	10/07/95 - 08/21/98
Gallagher, Carmel	87.87	10/07/95-8/21/98
Galvan, Czellane	407.7	
Garcia, Victoria	249.38	
Garvey, Boonie	75.29	
Geventhor, Marley	40.52	
Godwin, Mukulla	11.67	
Goldberg, Joan	22.01	
Goldberg, Judith	133.66	10/07/95 - 08/21/98
Goltiao, Daisy	15.7	10/07/95 - 08/21/98
Green, Grad	65.83	
Greenblat, Carla	46.36	
Grippo, Joan	290.98	10/07/95 - 07/24/98
Groulx, Michel A.	15	10/07/95 - 08/21/98

Guess, Maria	75.95	
Guinto, Rebecca	46.5	
Hahn-Gothelli, Sylvia	120.12	
Hall, Thomas	107.2	10/07/95 - 08/07/98
Hall, Thomas	22.49	10/07/95 - 08/07/98
Hardi, Rachelle	34.42	
Harmon, Susan	97.91	
Hayes, Aaron	342.17	10/07/95 - 07/24/98
Hayo, Santiago	337.29	10/07/95 - 07/24/98
Heauser, Judy	52.36	
Hellshom-Q, Elaine	369.95	10/07/95 - 08/21/98
Hernandez, Bernardita	309.56	10/07/95 - 08/21/98
Hernandez, Geraldine	98.33	
Herrera, Celerina	37.65	
Hikima, Maria	357.09	10/07/95 - 07/24/98
Hill, Shirlee	140.38	10/07/95 - 07/24/98
Hixon, Donald	69.5	
Hjelm, Laurie	17.9	
Hofer-Deiter, Linda	103.55	10/07/95 - 07/24/98
Hool, Sherman	108.64	10/07/95 - 07/24/98
Horan, Jean	40.95	
Hortinela, Fe	3324.63	
Hsu, Yuan Shek	176.2	10/07/95 - 08/21/98
Huang, Yu-Chin	58.26	
Hugo-Portem, Victoria	104.59	
Hurtado, Osmundo	571.85	10/07/95 - 07/24/98
Huypungco, Blesilda	1286.15	10/07/95 - 08/07/98
Ignacio, Rowena	8.69	10/07/95 - 08/07/98
Ivory, Robert	102.99	
Jabonero, Mary G.	5.79	
Jacala, Rey	558.65	10/07/95 - 07/24/98
Jalbuena, Lourdes	73.99	
Jensen, Lauris	23.17	10/07/95 - 08/21/98
Jones, Diane	20.88	
Jones, Lorian	71.47	
Jones, Samuel	532.73	
Junco, Teresa	616.55	
Karlsrud, Elizabeth	33.75	
Keith, Charles	37.53	
Kelleher, Joan	1063.02	
Kennedy, Kathleen	101.7	10/07/95 - 08/21/98
Kennedy, Sharon	238.88	10/07/95 - 08/21/98
Kerman, Adrienne	806.51	10/07/95 - 08/07/98
Keys, Gussie	69.76	10/07/95 - 07/24/98
Kho, Felisa	45.33	10/07/95 - 08/21/98
Kikuno, Akiko	945.62	10/07/95 - 08/21/98
Kildaff, Valerie	20.27	
Kirchner, Suzanne	581.05	10/07/95 - 07/24/98
Knoblock, Begonia	1097.48	

Koepke, Peggy	23.16	
Kopp, Linda	28.38	
Koretsky, Zhanna	83	
Kreiling, Steven	312.74	
Kubota, Linda	171.52	
Kutys, David	81.1	
Lacy, Jean	316.44	10/07/95 - 07/24/98
Lai, Diana	1472.95	
Lam, Chee	172.66	10/07/95 - 07/24/98
Lane, Roberta	674.31	
Langle, Kevin	46.63	10/07/95 - 08/07/98
Langmade, Cynthia	114.87	
Lasant, Nina	21.8	
Latko, Frank	494.79	10/07/95 - 08/07/98
Lawhern, Toni	80.12	
Leach, Phyllis	144.92	10/07/95 - 08/07/98
Lear, Carol J.	16.77	
Lee, Sophia	321.42	
Lennon, Caroline	17.72	10/07/95 - 08/07/98
Lewis, Paul	47.72	
Lewis, Rose	21.43	
Livni, Rivka	196.91	10/07/95 - 08/21/98
Lizardo, Judy	11.58	
Llanos, Ramoncito	488.64	10/07/95 - 07/24/98
Lopez, Lucy	11.93	
Lopez, Ma Gracia	104.25	10/07/95 - 08/21/98
Lozano, Lucy	61.23	
Ludovico, Mrietta	489.47	10/07/95 - 08/21/98
Lynch, Mary	801.64	
Madamba, Jocelyn	304.28	
Maldonado, Maria	1359.35	10/07/95 - 08/21/98
Mallari, Elwyn Q.	139	
Manansala, Dolores	818.94	
Mandapat, Besilda M.	197.26	
Mandapat, Lourdes S.	243.24	
Mangact, Myrna	57.92	10/07/95 - 08/21/98
Maranan, Julie	772.79	
Marania, Esther V.	17.37	
Marasigan, Elsa	727.33	10/07/95 - 07/24/98
Margate, Vicenta V.	52.55	
Maron, Michael	178.09	
Marsco, Lawrence	146.08	
Marshall, Alice	452.28	10/07/95 - 08/21/98
Martin, Ruby	722.37	
Martinez, Alise	954.46	10/07/95 - 08/07/98
Matilla, Milagros	451.29	10/07/95 - 07/24/98
Maurer, Rita	243.74	
Mayo, Wildora	69.67	10/07/95 - 08/21/98
McCabe, Ann	793.85	10/07/95 - 08/07/98

McCarrell, Donald	741.42	
McCarthy, Maureen	414.66	10/07/95 - 07/24/98
McClurg, Josephine	337.28	
McCoy, Isabel	152.2	10/07/95 - 08/07/98
McInerney, Margaret	55.56	
McMullen, Louis	72.48	
McMullen, Marilyn	28.96	10/07/95 - 08/21/98
McRae, Michael	133.11	
Medina, Roberto	10.58	10/07/95 - 07/24/98
Melgarejo, Marilyn	10.58	
Mende, Christine	136.49	
Merer, Daniel	49.69	
Mesina, Consuelo	8.69	10/07/95 - 08/21/98
Mezger, Susan	23.17	
Milano, Edel	60.81	
Miller, Lettie	79.59	
Miller, Taska	26	
Miranda, Marilyn	320.67	10/07/95 - 08/07/98
Miranda, Sandra	1290.3	10/07/95 - 07/24/98
Mogan, Evan	72.18	
Moissant, Helen	121.76	
Montesino, Josefina	83.98	10/07/95 - 07/24/98
Morris, Joanne	79.12	
Motos, Lisa	122.72	
Moy, Susan	28.11	
Mungia, Linda	151.27	
Najar, Gloria	878.55	
Nash, Philip	363.4	
Nassar, Janet A.	32.84	
Navor, Lucrecia	562.2	10/07/95 - 08/21/98
Needle, Patricia R.	11.73	10/07/95 - 08/21/98
Nethrcott, Erna	656.79	10/07/95 - 08/21/98
Newhard-Parks, Jane	78.42	10/07/95 - 08/07/98
Nguyen, Huong	57.92	
Nguyen, Therese	20.27	
Nichols, Lawrence	23.17	10/07/95 - 08/21/98
Norman, Gail	543.92	
Obina, Eugenio	81.08	10/07/95 - 08/07/98
O'Brien, Maria	58.96	
O'Connor, Kim	45.5	10/07/95 - 08/21/98
O'Connor, Marilyn	139.49	
O'Donnell, Shirley	1157.11	10/07/95 - 08/07/98
Offhill-Whitelaw, Alice	342.2	10/07/95 - 07/24/98
Okobi, Maureen	161.44	
O'Neill, Daniel	134.95	10/07/95 - 07/24/98
Orbino, Marisa	64.4	
O'Toole, Ellyn	282.99	
Otto, Tim	55.9	10/07/95 - 08/07/98
Padua, Magdalena	74.1	10/07/95 - 08/21/98

Pajarillo, Teresita	781.05	10/07/95 - 08/21/98
Palaad, Rodrigo	961.33	10/07/95 - 08/07/98
Panganisan, Corazon	1327.47	10/07/95 - 08/21/98
Pelkin, Christine	125.5	10/07/95 - 07/24/98
Penhiter, Judith	401.83	10/07/95 - 07/24/98
Penn, Sharon	748.5	
Perez, Asteria	34.74	
Perrin, Terry	43.69	10/07/95 - 08/07/98
Perry, Colleen	645.09	10/07/95 - 07/24/98
Perz, Seeranee	80.33	
Planas, Daisy	570.47	10/07/95 - 08/21/98
Pleites, Ninfa	11.58	
Poblete, Carmelita	267.8	
Poblete, Teresita	521.58	
Pongol, Cleotilde	118.25	
Powers, Glenn	66.95	10/07/95 - 07/24/98
Puentes, Zenaida	153.54	
Quano, Eva	860.6	
Quemere, Regina	37.65	
Quiazon, Violeta	17.37	
Quitoro, Nida D.	2.98	
Ramos, Jocelyn	865.11	
Recidoro, Priscilla	81.08	
Reinosa, Emilda	230.75	
Revese, Emelita	46.67	
Reyes, Gliceria	344.88	
Reyes,Marilou	1537.15	10/07/95 - 08/21/98
Reyes, Teresita	34.74	
Rice, Martinez	23.83	
Richards, Erin	22.78	
Richey, Eileen	26.91	
Robertson, Jeanne	82.51	10/07/95 - 08/07/98
Ross-Manashil, Kelly	23.23	10/07/95 - 08/07/98
Ruf, Sally	249.99	
Runas, Rosalina	46.33	
Sanchez, Maria	749.95	
Santa Maria, Edmundo	47.02	10/07/95 - 07/24/98
Santillan, Cristina	805.25	10/07/95 - 08/21/98
Sarzaba, Merceditas	328.37	
Savage, Jacqueline	650.71	10/07/95 - 07/24/98
Sayre, Terry	2.98	
Schulteis, Diane	8.69	10/07/95 - 08/07/98
Scott, Marriales	92.27	10/07/95 - 08/07/98
Scott, Regina	130.07	10/07/95 - 07/24/98
Scruggs, Cynthia	11.58	
Sheldon-Weber G.	11.58	
Shokmalli, Korie	12.65	
Shreve, Carmalita	66.07	
Sims, Harald	11.58	10/07/95 - 07/24/98

Sinpom, Sirintrundor	8.69	
Sison, Debbie	11	10/07/95 - 08/21/98
Sison, Socrates	145.83	
Slowly, Stewart	2.9	
Smith, Jean	11.76	
Smith, John R.	64.76	10/07/95 - 07/24/98
Smith, Valorie	20.99	
So, George	202.12	10/07/95 - 08/21/98
Sobal-Herrera, Silva	7.24	10/07/95 - 07/24/98
Soffian, Margaret	44.98	10/07/95 - 08/21/98
Sorensen, Lara	29.72	
Soriano, Perlita	272.84	
Spray, Terry R.	174.67	
Spry, Maria Teresa	868.95	
Stangby, Ann	73.75	
Steiger, Shenette	90.66	
Steinlauf, Ann	33.36	10/07/95 - 08/07/98
Stone, Scott	8.52	
Sue, Kyung	165.08	10/07/95 - 07/24/98
Sung, Pamela	338.12	10/07/95 - 07/24/98
Suto, Carol	11.58	
Sypher, Robert	91.65	10/07/95 - 08/21/98
Talley, Elsie Rae	34.75	
Taylor, Barbara	119.01	
Taylor, Mary	1.45	
Taylor-Hernandez, Patricia	1202.87	10/07/95 - 07/24/98
Taylor-Woodbury, Jean	223.58	10/07/95 - 07/24/98
Teng, Beng	452.89	
Tesorero, Yolanda	58.61	
Thekkek, Prema	373.83	10/07/95 - 07/24/98
Thiebaud, Lorraine	879.07	
Thompson, Lillian	2.98	10/07/95 - 07/24/98
Thompson, Ofelia	707.7	
Ting, Danilo	23.17	10/07/95 - 08/21/98
Torre, Lisa	52.47	
Tuazon, Blandina	73.95	10/07/95 - 07/24/98
Tucker, Kimberly	103.52	10/07/95 - 07/24/98
Turbin, Daniel	323.7	10/07/95 - 07/24/98
Valiente, Celenna	253.21	10/07/95 - 08/21/98
Valius, Marilyn	17.37	10/07/95 - 07/24/98
Venegas, Mildred	903.48	
Vergara, Rubi	717.3	
Vestal, Concordia	153.44	
Vigay, Yvonne	26.85	
Villaluz, Lilia	287.9	10/07/95 - 08/21/98
Viteri, Edith	43.54	
Vo, Nguyet P.	10.25	
Von Rotz, Susan	5.97	10/07/95 - 08/07/98
Wang, Yu-Ruo	193.68	

Wehrmeister, Catherine	11.58	
Welsh, Marife	59.63	10/07/95 - 07/24/98
Wianecki, Deborah	115.83	
Wilcox, Christopher	11.25	
Williams, Johnnie	1262.88	10/07/95 - 07/24/98
Wong, Elizabeth	1637.25	
Wong, Janie	44.88	
Wong, Phyllis	197.93	
Word, Susan	9.55	
Worth, Cecilia	75.29	10/07/95 - 08/07/98
Wu, Chiu	905.37	
Yabut-Castro, Maria	23.16	
Yanez, Dianna	32.2	
Young, Dan-Chan	24.32	
Young, III, Thomas	23.42	
Yu, Lourdes	141.97	10/07/95 - 07/24/98
Zamora, Rose Marie	152.83	10/07/95 - 07/24/98
Zarate, Norma	69.5	10/07/95 - 08/21/98
Zarazua, Gladys	103.23	10/07/95 - 08/21/98
Zoller, Noble	29.11	
TOTAL	110,458.89	

Attachment II

City and County of San Francisco

Department of Human Resources

ANDREA R. GOURDINE
HUMAN RESOURCES DIRECTOR

MEMORANDUM

TO: Harvey Rose, Budget Analyst

FROM: Alice Villagomez, Deputy Director, ERD
Department of Human Resources

DATE: November 9, 1999

RE: Grievance Settlement – Staff Nurses SEIU Local 790
File No. 99-2072

In 1995, the City determined that the pay provisions of the SEIU Local 790 Nurses Contract excluded shift differential pay on any compensatory time off (CTO) when it was taken. This interpretation of the contract was consistent with the practice of only paying premiums on any hours actually worked.

As the use of CTO is payment at a later date of hours actually worked on an overtime basis (as opposed to sick pay, vacation, and holiday pay which are payment for non hours worked) the shift premium pay should be included for hours taken off that otherwise would have been included at the overtime rate.

The shift differential calculations were determined by: the individual's classification and salary step and current shift schedule when the CTO is taken. The settlement amount will not exceed $125,000. A total of 400 employees are affected, for amounts ranging from $1.45 to $3,324.63. The funds will come out of the Health Department's budget. This settlement is intended as a one-time expenditure; however, because the re-construction of the pay calculations was so difficult, some leeway will be granted to allow individual grievants to submit further documentation.

Item 8 - File 99-2026

Department:	Real Estate Department Department of Public Works
Item:	Resolution approving and authorizing a Purchase Agreement between the City and County of San Francisco, as buyer, and Pacific Gas and Electric Company (PG&E), as seller, to purchase real property located at 2315 Cesar Chavez Street, known as Assessor's Block Number 4343, Lot 1A, for a purchase price of $3,841,000; approving an agreement by the City to release and indemnify PG&E for hazardous materials; approving certain environmental deed restrictions; approving the assumption by the City of a billboard lease affecting the property; approving certain limitations on the City's remedies against PG&E for breach; adopting findings that the purchase agreement is consistent with the City's General Plan and eight priority policies of City Planning Code Section 101.1; authorizing the Director of Property to execute documents, make certain modifications and take certain actions; and ratifying prior acts.
Amount:	$3,841,000 purchase price 81,000 title and closing costs $3,922,000 Total
Source of Funds:	$3,109,978 Real Property Special Revenue Fund 812,022 Prior Year Overhead Carryforwards $3,922,000 Total
Description:	The proposed resolution would authorize the City, through the Real Estate Department, to purchase from PG&E, for $3,841,000, 4.09 acres (178,161 square feet at approximately $21.56 per square foot) of property located at 2315 Cesar Chavez Street, on the south side of the street, between Kansas Street and Evans Avenue. The proposed unimproved land parcel to be purchased, currently has four City-owned trailers, three billboards and various DPW vehicles located on the site.

Since February 7, 1986, the proposed parcel has been leased by the City from PG&E. Currently, under a revocable license agreement, the City pays PG&E a license fee of $24,422 per month, or $293,064 annually.

Under the existing license agreement, the Department of Public Works (DPW) uses the proposed site for DPW's Emergency Department Operations and Training trailer, parking of over 100 vehicles for DPW's Bureau of Street and Sewer Repair operations and for the storage of materials. Ms. DeVaughn notes that the proposed site is located adjacent to the City-owned DPW Operations Yard property at 2323 Cesar Chavez Street. In addition, Ms. Marcia DeVaughn of DPW reports that the site currently houses (1) one Department of Parking and Traffic trailer for administrative operations for the Parking Control Officers (PCOs) that accompany DPW's street sweepers each day, (2) one Public Utilities Commission (PUC) trailer for Sewer Operations administration and (3) one DPT trailer that is currently used for storage purposes. According to Ms. DeVaughn, if the proposed site is purchased, the DPW plans to continue to use the property for the same purposes.

On July 28, 1997, the Board of Supervisors approved a Master Settlement Agreement between the City and PG&E, including a Memorandum of Understanding (MOU), which outlined the principal terms and conditions under which PG&E would sell and the City would purchase the subject property (Ordinance No. 304-97. On May 17, 1999, the City, through the Real Estate Department, and PG&E entered into a subsequent MOU, which reiterated the terms and conditions of the previous MOU, but extended the time schedules to be able to complete the approval of the proposed Purchase Agreement to within 180 days of the date of the MOU, which now extends through December 7, 1999.

In accordance with the proposed resolution and PG&E's required terms for the proposed sale of the property, the City must release PG&E for hazardous materials present on the subject property as of the closing date of the proposed sale and indemnify and hold PG&E harmless from releases of hazardous materials after the closing, if such hazardous materials were not present on the property as of the closing, or if the City causes releases of previously disclosed hazardous materials. Mr. Jesse Smith of the City Attorney's Office advises that the proposed Purchase Agreement is basically an "as is sale" and that the City is familiar with the site conditions both based on its past use and on hazardous materials testing done on the property. However, Mr. Smith advises that the proposed agreements contain (1) mutual release provisions, for both the City and PG&E, to agree not to sue each other with respect to hazardous materials; (2) indemnification and hold harmless provisions by the City in favor of PG&E against third party claims, which are limited to certain claims that arise after the closing for matters that are within the City's control; and (3) limitations on certain remedies to the City, such as monetary claims for a breach by PG&E and a waiver of jury trials. According to both Mr. Smith and Ms. Elaine Warren of the City Attorney's Office, the proposed provisions are commercially reasonable for the City, given the overall provisions of the proposed Purchase Agreement, and assuming that the proposed purchase price takes into account these provisions.

Mr. Jesse Myres of the Department of Real Estate advises that the proposed PG&E site used to be a natural gas storage site, and various hazardous materials may have been used on the site. However, Mr. Smith and Ms. Warren report that over several years, there has been environmental testing and analysis of the proposed site, which the Regional Water Quality Control Board has reviewed. Mr. Smith further advises that a letter from the Regional Water Quality Control Board found that no remediation of the site related to the

former natural gas storage facility was necessary, so long as the proposed parcel was used for industrial or commercial purposes.

Therefore, as required by PG&E, the Purchase Agreement restricts the City's use of the property for industrial or commercial purposes. Mr. Myres reports that if the City wants to use the property for other purposes in the future, the Purchase Agreement stipulates that the City would be required to apply to the appropriate regulatory agency for such use (i.e., Regional Water Quality Control Board), and also receive PG&E's consent, which cannot be reasonably withheld. Mr. Myres advises that the valuation of the property was based on the use for only industrial and commercial purposes.

In addition, the Purchase Agreement stipulates that the groundwater under the property will not be used as a water supply. Mr. Myres advises that the site contains serpentine rock, which is natural to this area of the City, however, such serpentine rock contains natural asbestos. Due to the proximity of the Bay and the groundwater on this site, coupled with the natural occurring asbestos, Mr. Myres reports that the restriction to not use the groundwater as a water supply was included, as required by PG&E.

Furthermore, there is also a 30-foot wide easement that PG&E would reserve in the deed for overhead electric facilities for PG&E, which is located along the western border of the property, adjacent to the DPW's operations yard (See Comment 6 for additional details).

Under the proposed resolution, the City will assume the existing PG&E lease with Outdoor Systems, Inc. for the billboards on the subject property (See Comment 7 for additional details).

Comments:

1. Mr. Myres reports that the proposed purchase price of $3,841,000 and the terms and conditions of the proposed acquisition represent the fair market

value for this property at the time of the Settlement Agreement in 1997.

2. In addition to the proposed purchase price of $3,841,000, in accordance with the proposed Purchase Agreement, the City will pay land survey ($10,000), closing costs ($2,500), extended coverage title insurance ($5,500), environmental inspection fees ($8,000) and prorated costs of Property Taxes ($55,000), resulting in total additional costs of $81,000 according to Mr. Myres.

As part of the existing revocable license agreement between PG&E and the City, the City is responsible for annually reimbursing $55,000 of Property Taxes to PG&E, which PG&E pays to the State Board of Equalization. As noted above, these Property Taxes would be prorated and paid as part of the purchase for the parcel. Once the City purchases the subject property, these Property Taxes would no longer be paid by the City.

3. Ms. Tina Olson of DPW reports that $3,109,978 was included in DPW's FY 1999-2000 Capital Improvement Project budget (Real Property Special Revenue Fund) for the purchase of the proposed parcel at 2315 Cesar Chavez Street. Ms. Olson reports that such funds were made available through the 1998 sale of DPW's surplus property at 7th and Channel Streets to Maycor, Inc., the high bidder, for $3,867,000. In addition, Ms. Olson advises that the balance of $812,022 ($3,922,000 total purchase and closing costs less $3,109,978 FY 1999-2000 Capital Budget appropriation) would be funded with DPW overhead monies that were appropriated in previous years, and carried forward for this purpose.

4. The proposed sale of the property would be subject to the California Public Utilities Commission (CPUC) approval. In accordance with the proposed resolution and Purchase Agreement, PG&E is obligated to use diligent efforts to obtain the CPUC's approval. Either the City or PG&E can terminate the proposed Purchase Agreement if the

CPUC does not authorize approval of the proposed sale of the property within 23 months from the date that the application is submitted to the CPUC for approval. Mr. Smith reports that, once the Purchase Agreement is signed and the application is completed, it is estimated to take approximately 12 to 18 months to receive the CPUC's approval, and that the CPUC is generally required by law to act within 18 months.

5. The proposed resolution would adopt the findings that the Purchase Agreement is consistent with the City's General Plan and the eight priority policies of City Planning Code Section 101.1. On October 20, 1999, the Director of Planning submitted a report which found that the proposed Purchase Agreement is consistent with the City's General Plan and the eight priority policies of City Planning Code Section 101.1.

6. The proposed Purchase Agreement stipulates a 30-foot wide easement, where existing PG&E electric overhead power lines are located, along the western border of the PG&E property, immediately adjacent to the DPW operation yard. According to Mr. Myres, the deed for the proposed property will contain this 30-foot wide easement, which prohibits the drilling of any wells or the construction of any buildings or reservoirs, but provides for the City's use of the surface within the 30-foot wide easement area.

Currently, Ms. DeVaughn reports that DPW's emergency operations trailer, which is seismically anchored and contains numerous telephone, computer and satellite communications, is located within the 30-foot wide easement area. However, Ms. DeVaughn and Mr. Smith advise that they are currently discussing this issue with PG&E to seek clarification of the ability to retain the trailers in their current location, since these trailers have been located on this same site for years, with the previous permission of PG&E. According to Ms. DeVaughn, the estimated cost to relocate this trailer would be $50,000 to $100,000. Ms. Olson

reports that, if the trailers need to be relocated, such funds would need to be budgeted.

7. According to Mr. Myres, under a current year-to-year agreement between PG&E and Outdoor Systems, PG&E presently receives $3,170 of annual revenue from Outdoor Systems for the three billboards on the subject property. Ms. DeVaughn advises that the billboards do not interfere with DPW operations on the site. Mr. Myres advises that, if the City enters into the proposed Purchase Agreement, once the existing lease with Outdoor Systems expires, it is the City's intention to enter into a new agreement with Outdoor Systems at market rate rents for the three billboards on the property. Mr. Myres estimates that such rental revenues should be approximately $5,000 annually and reports that such revenues would accrue to the City's General Fund.

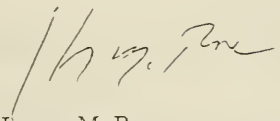
8. Although the City, through the DPW, has leased the subject property since 1986, a period of over 13 years, Mr. Smith and Ms. Warren advise that the City was not able to purchase the property at an earlier date due to years of negotiations between the City and PG&E over the price and the investigation of potential hazardous materials located on the site. As discussed above, on July 28, 1997, the Board of Supervisors approved a Master Settlement Agreement between the City and PG&E, which included an MOU outlining the parameters for PG&E to sell the City the proposed property. As a result, the City now has through December 7, 1999, to approve the proposed Purchase Agreement, as required by the subsequent MOU of May 17, 1999, entered into by PG&E and the City, through the Real Estate Department. Therefore, Mr. Myres advises that if the City does not approve the proposed Purchase Agreement, by December 7, 1999, then PG&E does not have to sell the proposed site at the previously agreed price of $3,841,000.

9. Based on the current annual rental costs of $293,064 and the additional annual Property Taxes

of $55,000, DPW is currently paying a total of $348,064 annually to PG&E to lease the subject property. Under the proposed license agreement, as of July 1, 2001, the current annual rents will be adjusted to current market rates. Given the proposed one-time purchase price of $3,841,000 and the one-time closing costs of $81,000, the City will incur a total one-time cost of $3,922,000 to purchase the proposed property. The City, through DPW, has been leasing the subject property for the past 13 years and reports a continuing need for use of the property for DPW's equipment, vehicles and storage. Therefore, the Budget Analyst estimates that by purchasing the subject property outright and not paying future rental and Property Tax payments, the City will realize total savings equivalent to the $3,922,000 purchase and closing costs of the property within 11 years, and at least $350,000 in savings annually thereafter.

10. Given that (1) DPW continues to have an ongoing need for use of the subject property, which is located immediately adjacent to the City-owned DPW operations yard; (2) the City has leased the subject property for the past 13 years at the current annual cost of $293,064, plus $55,000 annually for Property Taxes, for a total annual cost of $348,064; (3) the purchase price of $3,841,000, including closing costs of $81,000, for total one-time costs of $3,922,000 and the terms and conditions of the proposed acquisition represent the fair market value for this property; (4) by purchasing the property outright, the City will realize total savings equivalent to the $3,922,000 purchase and closing costs of the property within 11 years, and at least $350,000 in savings annually thereafter; (5) the City Attorney has determined that the proposed releases, indemnification and limitations are commercially reasonable, based on the determination by the Real Estate Department that the purchase price reflects those terms; and (6) the funds have already been appropriated for this purpose, the Budget Analyst recommends approval of the proposed Purchase Agreement.

Recommendation: Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

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City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman and Tom Ammiano

Clerk: Mary Red

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, December 01, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

DOCUMENTS DEPT.

DEC - 7 1999

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Meeting Convened

The meeting convened at 10:12 a.m.

991428 **[Truth in Disclosure Act]**

Supervisor Yee

Ordinance amending Planning Code Sections 306.1 and 306.3 to require disclosure in a conditional use or variance application and notice for public hearing of the name under which the applicant intends to conduct business, and requiring that applications be signed under penalty of perjury; amending Building Code Section 106.3 to require disclosure in a building permit application of the name under which the applicant intends to conduct business, and requiring that applications be signed under penalty of perjury.

(Amending Planning Code Sections 306.1 and 306.3; amends Building Code Section 106.3.)

7/19/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 8/18/1999. 7/27/99 - Referred to Planning Commission and Building Inspection Commission for recommendations and review.

10/12/99, SUBSTITUTED. Submitted by Supervisor Yee in Board, bearing same title.

10/12/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 11/11/1999. 10/27/99 - Referred substitute legislation to Planning Commission and Building Inspection Commission for recommendations and review.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Paul Rosetter, City Planning Department; Supervisor Yee; Supervisor Bierman; Garret Jenkins, Tenderloin Coalition. Amendment of the Whole reflecting amendments from City Planning and sponsor.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Planning Code Sections 306.1 and 306.3 to require disclosure in a conditional use or variance application and notice for public hearing of the name under which the applicant intends to conduct business, and requiring that applications be signed under penalty of perjury; and authorizing the Zoning Administrator to reject and delay the re-filing of an application that includes material misstatements or omissions; amending Building Code Section 106.3 to require disclosure in a building permit application of the name under which the applicant intends to conduct business, and requiring that applications be signed under penalty of perjury, and authorizing the Director of Building Inspection to cancel and delay the re-filing of an application that includes material misstatements or omissions.

(Amending Planning Code Sections 306.1 and 306.3; amends Building Code Section 106.3.)
(Planning Commission Resolution No.14929 adopted November 18, 1999 recommending proposed amendment with revision disclosed in the resolution. Certification of Exemption from environmental review dated September 9, 1999.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991619 **[Establishment of Airport Special Event Account]**

Ordinance amending Administrative Code by adding Section 10.114-3 to establish an Airport Promotion and Event Account; allow for the acceptance of gifts by the Airport Commission; and, authorize the Airport Commission to expend monies in account. (Airport Commission)

(Fiscal impact; Adds Section 10.114-3.)

8/17/99, RECEIVED AND ASSIGNED to Finance and Labor Committee
10/13/99, SUBSTITUTED Substituted by Airport Commission 10/13/99, bearing new title
10/13/99, ASSIGNED to Finance and Labor Committee
11/10/99, CONTINUED Continued to November 17, 1999
11/17/99, CONTINUED Continued to December 1, 1999

Heard in Committee Speakers. Harvey Rose, Budget Analyst; Jon Ballesteros, Airport, Supervisor Yee. Amendment of the Whole reflecting sunset clause, bi-monthly reports and unexpended monies must revert to general fund

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Administrative Code by adding Section 10.114-3 to establish an Airport Promotion and Event Account; allow for the acceptance of gifts by the Airport Commission; and, authorize the Airport Commission to expend monies in account; this section shall expire on September 30, 2001. (Airport Commission)

(Fiscal impact; Adds Section 10.114-3.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992035 **[Federal Grant for reimbursement of 75% of costs for reconstruction and overlay of various runways and taxiways at the Airport]**

Resolution authorizing Airport Commission to apply for, accept, and expend grant of $8,370,743.00 from Federal Aviation Administration for assistance in improvements at the Airport (A.I.P. 14: Application No. 99-01). (Airport Commission)

10/28/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Jon Ballesteros, Airport.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991923 **[Expenditure of Community Court Program Fines]**

Supervisor Brown

Ordinance amending Administrative Code by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through community court dispute resolution programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the community courts.

(Adds Section 10.117-124.)

10/12/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

11/17/99, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Kimiko Burton-Cruz, Director, Mayor's Criminal Justice Council; Supervisor Ammiano; Supervisor Yee. Continued to December 1, 1999.

Continued to December 8, 1999.

CONTINUED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992026 **[Purchase of 4.09 acres of PG&E property (2315 Cesar Chavez Street), leased by DPW since 1986 for storage of materials, placement/use of modular buildings and parking, essential for DPW's continued operation]**

Resolution approving and authorizing an agreement between the City and County of San Francisco, as Buyer, and Pacific Gas and Electric Company as Seller, to purchase real property located at 2315 Cesar Chavez Street, known as APN Block 4343 Lot 1A and SBE 135-38-22 Parcel 1, for a purchase price of Three Million, Eight Hundred Forty-One Thousand Dollars ($3,841,000); approving an agreement by the City to release and indemnify PG&E for hazardous materials; approving certain environmental deed restrictions; approving the assumption of a billboard lease affecting the property; approving certain limitations on the City's remedies against PG&E for breach; adopting findings that the purchase agreement is consistent with the City's General Plan and eight priority policies of the City Planning Code Section 101.1; authorizing the Director of Property to execute documents, make certain modifications and take certain actions; and ratifying prior acts. (Real Estate Department)

(Fiscal impact.)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

11/17/99, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tony DeLucchi, Real Estate Department. Continued to December 1, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Real Estate Department; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991991 **[Public Service Easement Vacation - 1098 Huron Avenue]**

Supervisor Yee

Ordinance ordering the summary of vacation and sale of the public service easement located in Assessor's Block 7145, Lot 17, which comprises a portion of 1098 Huron Avenue, making findings pursuant to the California Streets and Highways Code Chapter 4 Sections 8330 et seq. (Public Streets, Highways, and Service Easements Vacation Law, Summary Vacation), making findings of conformity with the General Plan and priority policies of Planning Code Section 101.1, and requesting official actions in connection with the vacation and sale.

11/22/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Real Estate Department; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992073 **[Authorizing renewal and expansion of two leases of space on the ninth floor at Fox Plaza, 1390 Market Street for the Dept. of Children, Youth and their Families and the Delinquency Prevention Commission]**

Resolution authorizing a lease of real property at 1390 Market Street for the Department of Children, Youth, and their Families and for the Delinquency Prevention Commission. (Real Estate Department)

11/3/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee Speakers: Harvey Rose, Budget Analyst, Harry Quinn, Real Estate Department, Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992120 **[Permit for use of real property at 2350 19th Avenue by Delancey Street for the sale of Christmas trees and related holiday decorations.]**

Supervisor Yee

Resolution authorizing the permit for use of real property at 2350 Nineteenth Avenue under the jurisdiction of the Fire Department.

11/15/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Real Estate Department, Supervisor Yee. Amended to provide for retroactivity.

AMENDED.

Resolution authorizing retroactively, the permit for use of real property at 2350 Nineteenth Avenue under the jurisdiction of the Fire Department.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

991859 **[Purchase of property at 3rd and Arthur Streets to expand the Pump Station built in the 1960's, to comply with the current Regional Water Quality Control Board permit requirements]**

Resolution authorizing acquisition of Lots 3 and 4 in Assessor's Block 4501 for expansion of the Southeast Water Pollution Control Plant Booster Pump Station, and adopt findings pursuant to Planning Code Section 101.1. (Real Estate Department)

(Categorically exempt from environmental review and consistent with the eight priority policies of the Planning Code Section 101.1.)

9/29/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/20/99, CONTINUED TO CALL OF THE CHAIR.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Harry Quinn, Real Estate Department; Supervisor Yee; Bill Berry, Assistant General Manager, Finance, and Administration, Public Utilities Commission.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992003 **[San Francisco Chronicle Proposed Sale Investigation]**

Supervisors Ammiano, Bierman

Resolution urging the Attorney General of California, based on the precedent established in the State of Hawaii, to investigate the proposed sale of the San Francisco Chronicle to the Hearst Corporation and potential violations of the Federal anti trust laws and violation of the National Newspaper Preservation Act and further urging the San Francisco District Attorney to conduct a similar investigation.

10/25/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Supervisor Ammiano; Terence Hallinan, District Attorney; Tony Kilkoy, S.F. Tomorrow; Bruce Bruggman, Editor, Bay Guardian; Steve Kawa, Mayor's Office; Gilbert Baker; Jane Morrison, President, S.F. Tomorrow; Chris Dittenhafer, Council of District Merchants; James Fang, Asian Week Newspaper; Supervisor Bierman; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992024 **[Reserved Funds, Mayor's Office/Committee on Information Technology]**

Hearing to consider release of reserved funds, Mayor's Office/Committee on Information Technology, (1999-2000 Budget), in the amount of $1,125,000 to allow the Year 2000 Project Management Office to continue its efforts to ready the City and the computer system for the year 2000. (Mayor)

10/27/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Patty Fado, Committee on Information Technology (COIT); Supervisor Yee; Ed Harrington, Controller.

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Bierman
Absent: 1 - Ammiano

992121 **[CalWIN - Approval of DHS Computer Services Project]**

Supervisor Yee

Resolution authorizing the Executive Director of the Department of Human Services to enter into agreement with a consortium of counties to develop and provide computer services for the administration of public benefit programs in accordance with state requirements for which San Francisco's portion of the cost is $29,419,528.00.

(Fiscal impact.)

11/15/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Sally Kipper, Department of Human Services. Amendment of the Whole amending title only

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution authorizing the Department of Human Services to continue its membership in the 18-county Welfare Client Data System (WCDS) Consortium, and authorizing the Director of the Department of Human Services to execute the necessary agreements for participation in the consortium's development, implementation, maintenance and operation of a computer system for the administration of public benefit programs in accordance with state requirements, for which San Francisco's portion of the cost is $29,419,528.00.

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992104 **[Accepting State grant for development of programs designed to reduce jail crowding, crime and criminal justice costs while addressing the needs of mentally ill offenders during imprisonment and upon release]**

Resolution authorizing the Sheriff's Department to accept a grant in the amount of $5,000,000 from the State Board of Corrections and expend the amount of $910,148 for Mentally Ill Offender Crime Reduction Demonstration Grant. (Sheriff)

11/10/99, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sheriff Department requests this item be considered at the 12/1/99 Finance and Labor Committee meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jean Mariani, Sheriff's Department. Committee recommended that the Controller designate the two new positions created under the grant as "G", (grant funded), which would terminate when the grant expires.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992095 **[Charitable Distribution of Food]**

Supervisors Yee, Ammiano

Hearing to consider the City's practice of confiscating food distributed by charitable organizations, including Food Not Bombs, and arresting members of the clergy and other volunteers for distributing food.

11/8/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

11/17/99, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: John Di Donna

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

ADJOURNMENT

The meeting adjourned at 11:55 a.m.

Public Library,Gov't Info. Ctr., 5th Flr.
Attn: *Susan Hom*

.254

/99

CITY AND COUNTY OF SAN FRANCISCO

DOCUMENTS DEPT.

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BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

November 24, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: December 1, 1999 Finance and Labor Committee Meeting

Item 2 – File 99-1619

Note: This item was continued by the Finance and Labor Committee at its meeting of November 17, 1999.

Department: Airport

Item: Ordinance amending Article XIII, Chapter X of the Administrative Code by adding Section 10.114-3 to establish a new Special Account known as the "Airport Promotion and Event Account"; to authorize the Airport Commission to accept cash donations, property, and personal services which would accrue to the Special Account; to authorize the Airport Commission to expend monies from the Special Account; to carry over unexpended monies in the Special Account from one fiscal year to the next; and to require quarterly reports to the Board of Supervisors on revenues to, and expenditures from, the Special Account.

Description: As requested by the Airport, the proposed ordinance would add a new Section 10.114-3 to Article XIII, Chapter X of the Administrative Code. This would authorize the Controller to establish a new Special Account known as the Airport Promotion and Event Account ("Special Account") to receive cash donations, property, and personal services. According to Mr. Jon Ballesteros of the

Airport, such donations could only be used for business promotion, special events, and community outreach activities related to construction projects which are part of the Airport Master Plan, including the new International Terminal Building and the BART Airport extension. Attachment I, provided by the Airport, explains that because the Airport is seeking a number of donations in excess of $5,000, the Airport wants to establish a Special Account "in order to save the Board of Supervisors the time and effort of holding hearings to review a minimum of 75 to 115 separate resolutions allowing the Airport to accept donations for the opening of the new International Terminal."

The proposed ordinance would also authorize the Airport Commission to (a) expend monies from the Special Account for the above-noted purposes without appropriation approval of the Board of Supervisors; (b) carry over the Special Account's unexpended balances from one fiscal year to the next; and (c) provide quarterly reports to the Board of Supervisors on revenues to, and expenditures from, the Special Account.

Comments:

1. According to Mr. Ballesteros, the Airport proposes to spend approximately $1,000,000 on business promotion, special events, and community outreach activities related to the completion of projects in the Airport's Master Plan. Of this estimated $1,000,000, the Airport plans to obtain $700,000, or 70 percent of the projected budget, through fundraising efforts. The Airport would target its fundraising at the following corporate sponsors: (a) the retail concessionaires at the Airport, (b) the contractors who are working on Airport construction projects, and (c) the airlines which operate at the Airport.

In addition to the anticipated donations of $700,000, the Airport proposes to expend $300,000 in Airport revenues, or 30 percent of the projected budget. In FY 1999-2000 the amount of $300,000 has been separately budgeted within the Government Affairs budget for entertainment and promotion. Attachment II, a June 1, 1999 memorandum from the Airport Director to the Airport Commission, explains the type of special events and

community outreach activities which are under consideration.

2. Mr. Ballesteros advises that if corporate sponsorship generates more than 70 percent of the proposed budget, then Airport revenues would contribute commensurately less. Furthermore, if there is an unexpended balance in the Special Account once the Airport's Master Plan has been completed, then those unexpended monies would be used to reimburse the Airport for expenditures previously made from Airport revenues.

3. Mr. Ballesteros advises that the actual program of business promotion, special events, and community outreach activities that is implemented would depend on the level of contributions made by corporate sponsors. If the Airport is unable to obtain corporate contributions in the amount of $700,000, then its program of business promotion, special events, and community outreach activities would be tailored to fit a smaller budget. The Airport Director states in Attachment II that the specific events to be held will not be finally determined until "the fundraising effort is complete and a comprehensive budget can be established."

4. According to Mr. Ballesteros, as a first step in the Airport's proposed program of business promotion, special events, and community outreach activities, the Airport Commission approved on June 1, 1999 a two year contract with Rita Barela Productions. This contractor will raise funds for, plan, and execute a series of special events and community outreach activities to celebrate the opening of the new International Terminal in the early summer of 2000.

Mr. Ballesteros advises that the Airport's contract with Rita Barela Productions was awarded on the basis of a Request for Qualifications which was sent on February 22, 1999 to 65 Bay Area organizations specializing in event planning and execution, and advertised on the City's website and in the City's contracts announcement. The Airport received 15 proposals and interviewed five firms, selecting a team of three local firms headed by Rita Barela Productions, a certified M/WBE firm, on the basis

that Rita Barela Productions had the best qualifications for the development and execution of a special event and fundraising plan. As a result of the negotiations, Phase I of the contract with Rita Barela Productions (June – December of 1999) comprises five programs which will cumulatively cost the Airport a total of $150,000. The amount of $150,000 divided by the six months of Phase I results in a $25,000 per month retainer. No cost has yet been determined for Phase II (final planning and execution of events) because, as stated above, the exact program of special events and community outreach activities will depend on the level of contributions from corporate sponsors. Budgetary provision for $140,000 of the Airport's $150,000 contract with Rita Barela Productions has been made within the non-project-controlled entertainment and promotion subfund of the FY 1999-2000 Administration Business Program. According to Mr. Ballesteros, the balance of $10,000 has been carried forward from unspent funds in the non-project-controlled entertainment and promotion subfund of the FY 1998-99 Administration Business Program.

5. According to Mr. Ballesteros, proposed Sections 10.114-3(b) and (c) of the Administrative Code would override the existing requirement for Board of Supervisors approval for acceptance of gifts valued in excess of $5,000. Additionally, proposed Sections 10.114-3(b) and (c) would permit the Airport Commission to accept and expend all cash donations, property, and personal services for business promotion, special events, and community outreach activities related to the Airport's Master Plan, regardless of the amount, without approval of the Board of Supervisors. According to Mr. Ballesteros, the Airport anticipates that a large portion of the contributions that it hopes to attract from corporate sponsors would be in excess of $5,000. Expenditures from the Special Account would not be subject to appropriation approval by the Board of Supervisors.

6. Due to the size of the projected budget, in the amount of $1,000,000, the Budget Analyst recommends, if the proposed ordinance is approved, that the ordinance be amended to give the Board of Supervisors specific authority to approve (a) the acceptance of all cash

donations, property, and personal services valued in excess of $5,000, and (b) the appropriation of all expenditures in excess of $5.000.

7. The Budget Analyst questions the appropriateness of the Airport soliciting contributions to the proposed Special Account from the Airport's concessionaires and contractors, as well as from the airlines which operate at the Airport.

8. We are advised that an Amendment of the Whole will be submitted to provide for:

- A sunset clause so that the subject ordinance would expire on September 30, 2001. This timeframe would accommodate the funding of special events related to the opening of both the new ITB in the summer of 2000 and the BART Airport extension in the summer of 2001.
- The submission of bi-monthly reports to the Board of Supervisors pertaining to Special Account revenues and expenditures, instead of the quarterly reports which had been proposed.
- The transfer of any unexpended monies in the Special Account, when it expires on September 30, 2001, to the City Treasurer for deposit in the City's General Fund rather than permitting the Airport to use it to reimburse itself for expenses as outlined in Comment No. 2 above.

9. Under Section 10.116 of the Administrative Code, the Airport Director is already able to accept and expend gifts to the Airport with a value of up to $5,000. It is only for gifts valued in excess of $5,000 that the Airport Director needs approval from the Board of Supervisors to accept and expend such gifts. In the Budget Analyst's professional opinion, the proposed ordinance is not needed because the Airport has ample time to submit, for approval by the Board of Supervisors, legislation accepting gifts in excess of $5,000 and expending gift funds in excess of $5,000 for business promotion, special events, and community outreach prior to actual expenditure of such funds. As of the writing of this

report, the Airport has not developed a comprehensive budget for the planned activities and special events.

In Attachment I the Airport states that the Board of Supervisors would have to approve between 75 and 115 separate resolutions to accept donations in excess of $5,000. However, according to Mr. Ted Lakey of the City Attorney's Office, the Airport could combine individual donations into one or two resolutions for Board of Supervisors approval. Furthermore, each resolution could be accompanied by a comprehensive expenditure plan for the Board of Supervisors to review simultaneously.

Recommendation: Disapprove the proposed ordinance.

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr.
Mayor

Henry E. Berman
President
Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito

JOHN L. MARTIN
Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Harvey Rose **DATE:** November 18, 1999

FROM: Peter J. Nardoza

SUBJECT: File #991619 – Airport Promotion and Event Account

The Airport's $2.4 billion Master Plan and Capitol Program is near completion. This program includes a new International Terminal Building that will become the Airport's signature building and will provide travelers to the Bay Area with their first impression of San Francisco and the surrounding communities. In many respects, it will become one of a few buildings that will represent San Francisco to domestic and international travelers.

The openings of new international terminals in major cities throughout the world (i.e. Hong Kong, Denver, Kuala Lumpur, Milan Malpensa) have received international recognition and greatly enhanced the host city's visibility around the globe.

As the City of San Francisco prepares to open what will be the largest International Terminal in North America, the Airport Commission is dedicated to ensuring that the City receives all of the positive national and international exposure this rare opportunity presents. With this in mind, the Airport Commission is planning to host a series of special events designed to celebrate the opening of the new International Terminal and to thank the Bay Area community.

The goals of the opening events would be as follows:

- Announce and celebrate the opening of what will be the largest International Terminal in North America.
- Introduce the Bay Area's newest world-class facility to the nation and the world.
- Thank the Bay Area public, construction workers and airport employees for their patience and hard work during the construction period.

A successful special events plan for the opening of the new International Terminal will help the Airport solidify its position as a global leader in the 21st Century and boost its reputation among passengers, employees, and business partners.

In order to ensure success in this important endeavor, the Airport's special events contractor has developed a fund raising plan that calls for the recruitment of 75 to 115 sponsors, at a minimum. These sponsors will be asked to provide donations ranging from $5,000 to $250,000. A substantial number of the donations are expected to fall within the $5,000 to $25,000 range.

With this in mind, the Airport is proposing that a special account be established in order to save the Board of Supervisors the time and effort of holding hearings to review a minimum of 75 to 115 separate resolutions allowing the Airport to accept donations for the opening of the new International Terminal.

We have attempted to craft the proposed resolution in such a manner that it will provide the Board significant oversight of the proposed special account without a cumbersome review process for the Board to endure, and allows for the successful implementation of the Airport's special events plan.

Airport Commission
City and County of San Francisco
Willie L. Brown Jr.
Mayor
Henry E. Berman
President
Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN
Airport Director

San Francisco International Airport

GATEWAY TO THE PACIFIC

MEMORANDUM

June 1, 1999

TO: MEMBERS. AIRPORT COMMISSION
Hon. Henry E. Berman. President
Hon. Larry Mazzola. Vice President
Hon. Michael S. Strunsky
Hon. Linda S. Crayton
Hon. Caryl Ito

FROM: Airport Director

SUBJECT: Authorization to Award a Contract for the Planning and Execution of Special Events for the Opening of the New International Terminal

DIRECTOR'S RECOMMENDATION: AWARD CONTRACT FOR THE PLANNING AND EXECUTION OF SPECIAL EVENTS FOR THE OPENING OF THE NEW INTERNATIONAL TERMINAL TO RITA BARELA PRODUCTIONS. A CERTIFIED WMBE. FOR NOT MORE THAN $150.000 IN PHASE I (June-December. 1999) AND AN AMOUNT TO BE DETERMINED FOR PHASE II (Final planning and execution of events).

On February 16. 1999. the Airport Commission authorized staff to issue a Request for Qualifications (RFQ) to plan and execute special events to celebrate the opening of the new International Terminal. The RFQ requested qualifications to provide all catering. decoration and entertainment for the opening events: design and implement. in conjunction with Airport staff. security: safety and transportation plans for each event: produce and distribute all tickets and invitations: design and produce all collateral materials: and design and implement. in conjunction with Airport staff. a fundraising plan to help defray the costs of the events. The contract is for two years.

Phase I of this contract is a $25.000 per month retainer for six months to develop and execute a fundraising plan with a goal of raising $1 million to offset the costs of the opening events. to develop and produce collateral materials for the fundraising effort as well as preliminary production costs for a commemorative book to celebrate the opening, preparing an overall timeline and schedule for the opening events. and developing and refining guest lists for the events.

THIS PRINT COVERS CALENDAR ITEM NO. 13

The series of events now under consideration to celebrate the opening of the new International terminal include a weekend-long Community Open House/Family Day, a VIP Gala Dinner, an Employee Open House (for all airport employees), a Builders Bash (for contractors and construction workers) and an event for the hospitality/tourism industry. The specifics of these events will not be set until Phase II of this contract when the fundraising effort is complete and a comprehensive budget can be established.

On February 22, 1999, 65 requests for qualifications were issued to firms specializing in event planning and execution, and 15 firms submitted qualification packets in response to the RFQ. A representative review committee selected five finalists and interviewed all five. A team of three local firms, led by Rita Barela Productions, and including Lynne Winslow & Associates and Timothy Maxson Productions, received the highest score, based upon their substantial local experience with government and non-profit agencies.

Rita Barela Productions is a certified MBE/WBE and is compliant with Chapters 12B and 12C of the Administrative Code. The Human Rights Commission will work with Airport Staff and Rita Barela Productions to set M/WBE goals for Phase II of this contract.

I recommend that the Commission authorize staff to award this event planning and execution contract to Rita Barela Productions at a cost not to exceed $150,000 for Phase I and a cost to be determined for Phase II. I will bring the cost of Phase II of this contract to the Commission in early 2000 and before the final event plan is set in motion.

ORIGINAL SIGNED
BY JOHN L. MARTIN

John L. Martin
Airport Director

Prepared by: Peter Nardoza
Deputy Airport Director
Public Affairs

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AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 99-0172

AWARD OF CONTRACT FOR PLANNING AND EXECUTION OF SPECIAL EVENTS TO OPEN THE NEW INTERNATIONAL TERMINAL

WHEREAS, The San Francisco International Airport is an internationally recognized leader in safety and security, customer service, financial operations and environmental responsibility; and

WHEREAS, The Airport is building a new International Terminal that will be its signature building and a new symbol of San Francisco to the world; and

WHEREAS, On February 16, the Commission approved Resolution 99-0040 which authorized staff to issue a Request for Qualifications to plan and execute a series of special events to celebrate the opening of the new International Terminal; and

WHEREAS, Airport staff received 15 proposals, interviewed five firms and selected a team headed by Rita Barela Productions of San Francisco, a certified M/WBE firm; and

WHEREAS, Rita Barela Productions was determined to have the best qualifications for the development and execution of a special event and fundraising plan at a contract cost not to exceed $150,000 for Phase I and a cost to be determined for Phase II, now, therefore be it

RESOLVED, That this Commission authorizes the Director to award this contract for the planning and execution of a series of special events to celebrate the opening of the new International Terminal for a two-year period, commencing with certification of this contract.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of JUN 01 1999

Secretary

Item 3 – File 99-2035

Department: Airport

Item: Resolution authorizing the Airport to accept and expend a grant of $8,370,743 from the Federal Aviation Administration for capital improvements at the Airport.

Amount: $8,370,743

Source of Funds: Federal Aviation Administration (FAA)

Program: Airport Improvement Program 14, Application No. 99-01

Description: The proposed resolution would authorize the Airport to accept and expend FAA grant funds for two capital improvement projects under the Airport Improvement Program (AIP). The proposed FAA grant would fund $8,370,743, or 75 percent, of the total costs of $11,160,990 for the two capital improvement projects. A required match from Airport revenues would fund the remaining cost of $2,790,247, or 25 percent.

The $11,160,990 total cost of the two capital improvement projects would be expended for the following projects:

Runway 1R-19L Reconstruction and Overlay
This project, with a total cost of $6,000,000, of which $4,500,000 is to be funded by the subject FAA grant, will provide for the reconstruction and overlay of approximately 1,000,000 square feet of Runway 1R-19L, together with all necessary and appurtenant work. The work will include replacing the cement-treated base of the runway and resurfacing the runway with asphalt, as well as upgrading the drainage and lighting as necessary. The purpose of this project is to enhance the safe operations of departing aircraft on the Airport's primary take-off runway.

As-Needed Taxiway Reconstruction and Overlay
This project, with a total cost of $5,160,990, of which $3,870,743 is to be funded by the subject FAA grant, will provide for the reconstruction and overlay of approximately 300,000 square feet of various taxiways,

together with all necessary and appurtenant work. The work will include strengthening the cement-treated base of the taxiways and resurfacing the taxiways with asphalt, as well as upgrading drainage and lighting as necessary. The purpose of this project is to enhance safety. Mr. Ernie Eavis of the Airport states that specific taxiways will be selected in accordance with the Airport's pavement management system, operations inspection reports, and emergency work which takes the highest priority.

Budget: Attachment I provided by the Airport contains a preliminary budget for the total estimated project costs of $11,160,990.

Required Match: $2,790,247 from Airport Capital Improvement Program revenues.

Comments:

1. Mr. Eavis states that all construction contracts will be awarded to the lowest qualified bidder subject to approval from the FAA.

2. Attachment II contains a Grant Application Information Form prepared by the Airport.

3. The Airport has completed a Disability Access Checklist, a copy of which is on file with the Clerk of the Board.

Recommendation: Approve the proposed resolution.

PART III – BUDGET INFORMATION – CONSTRUCTION

SECTION A – GENERAL

Federal Domestic Assistance Catalog No. 20.106

Functional or Other Breakout ..... _____

SECTION B – CALCULATION OF FEDERAL GRANT

Cost Classification	Use only for revisions		Total Amount Required
	Latest Approved Amount	Adjustment + or (-)	
1 Administration expense	$ 1%	$	$ 111,000
2 Preliminary expense			
3 Land, structures, right-of-way			
4 Architectural engineering basic fees	7%		781,000
5 Other architectural engineering fees			
6 Project inspection fees	7%		781,000
7 Land development			
8 Relocation Expenses			
9 Relocation payments to Individuals and Businesses			
10 Demolition and removal			
11 Construction and project improvement			9,487,990
12 Equipment			
13 Miscellaneous			
14 Total (Lines 1 through 13)			11,160,990
15 Estimated Income (if applicable)			11,160,990
16 Net Project Amount (Line 14 minus 15)			
17 Less: Ineligible Exclusions			
18 Add: Contingencies			-0-
19 Total Project Amt. (Excluding Rehabilitation Grants)			11,160,990
20 Federal Share requested of Line 19			8,370,743
21 Add Rehabilitation Grants Requested (100 Percent)			8,370,743
22 Total Federal grant requested (Lines 20 & 21)			8,370,743
23 Grantee share			2,790,247
24 Other shares			
25 Total project (Lines 22, 23 & 24)	$	$	$ 11,160,990

DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION

OMB NO 80-R0184

SECTION C – EXCLUSIONS

26 Classification	Ineligible for Participation (1)	Excluded from Contingency Provision (2)
a.	$	$
b		
c.		
d.		
e.		
f.		
g. Totals	$	$

SECTION D – PROPOSED METHOD OF FINANCING NON-FEDERAL SHARE

27. Grantee Share	$ 2,790,247
a. Securities	
b. Mortgages	
c. Appropriations (By Applicant)	
d. Bonds	2,790,247
e. Tax Levies	
f. Non Cash	
g. Other (Explain)	
h. TOTAL – Grantee share	2,790,247
28. Other Shares	
a. State	
b. Other	
c. Total Other Shares	
29. TOTAL	$ 2,790,247

SECTION E – REMARKS

PART IV PROGRAM NARRATIVE (Attach – See Instructions)

File Number: _____

Grant Application Information Form

A document required to accompany a proposed resolution
Authorizing a Department to Accept & Expend Grant Funds

To: The Board of Supervisors
Attn. Clerk of the Board

The following describes the grant referred to in the accompanying resolution:

1. Department: Airport Commission Department 27

2. Contact Person: Ernie Eavis, Deputy Airport Dir. Telephone: (650) 737-7747

3. Project Title: Airport Improvement Improvement (A.I.P.) Grant Agreement 14

4. Grant Source Agency: Federal Aviation Administration (FAA)

5. Type of Funds: X Federal __ Federal-State (Pass-Through) __ State __ Local __ Private

6. Proposed (New / Continuation) Grant Project Summary:

Each year the Federal Aviation Administration, authorized under the Airport Airway Safety and Capacity Expansion Act of 1987, permits San Francisco International Airport to apply for reimbursement of 75% of costs of eligible capital improvements up to the limit of entitlements determined by the previous years passenger and cargo levels. A.I.P. 14 (application) 99-01 is for costs of reconstruction and overlaying Runways 1R-19L and various taxiways.

7. Amount of Grant Funding Applied for: $8,370,743.00

8. Maximum Funding Amount Available: $8,370,743.00

9. Required Matching Funds? Yes: X No: ____ / Cash or In-kind? _____
FAA grants are reimburseable up to limit of entitlement of 75% of Airport constructions costs.
If yes, list dollar amount and identify source of Matching Funds in Department Budget:
Airport Capital Improvement Program

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends?
N/A

12. Are indirect costs eligible costs for this grant? Yes: ___ No X

If yes, please identify the amount of $ in indirect costs? N/A

13. Amount to be spent on contractual services: -0-

14. a.) Will contractual services be put out to bid? N/A

b). If so, will contract services help to further the goals of the department's MBE/WBE requirements?

N/A

15. Is this likely to be a one-time or ongoing request for contracting out? One-time

16. Term of Grant: Start-Date: 03/30/99 End-Date: Open-ended until work compl or grant is exhausted.

17. Date Department Notified of Available Funds: 10/01/98

18. Grant Application Due Date: Grant Agreement was offered and accepted 03/30/99.

19. Grant Funding Guidelines and Options (selected from RFP, grant announcement or appropriations legislation):

All grants are prescribed by the Airport Safety and Capacity Extension Act of 1987, as well as Assurances (5/99) incorporated in each Grant Agreement.

20. Department Head Approval: John L. Martin (Name) Airport Director (Title)

(Signature)

Item 4 - File 99-1923

Note: This item was continued by the Finance and Labor Committee at its meeting of November 17, 1999.

Department: Mayor's Criminal Justice Council

Item: Ordinance amending Article XIII, Chapter 10, Part I of the San Francisco Municipal Code (Administrative Code) by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through Community Court Dispute Resolution Programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the Community Courts.

Description: Community Courts, according to Mr. Travis Kiyota of the Mayor's Criminal Justice Council, are a State authorized means of diverting quality of life misdemeanor offenses from the traditionally backlogged courts and criminal justice system to the community where the offenses occurred. Mr. Kiyota advises that the quality of life misdemeanor cases referred to Community Courts include open alcohol containers, petty gambling, loitering, shop lifting, possession of small quantities of marijuana, grafitti, etc. Mr. Kiyota advises that in November of 1998, the City created two Community Courts in the City, one in the Bayview and one in the Oceanview-Merced-Ingleside (OMI) Community.

The California Community Dispute Services, a non-profit organization, with the assistance of the District Attorney's Office, trains community residents and merchants to sit as the three volunteer panel members on each Community Court to hear these misdemeanor cases. The District Attorney's Office forwards letters to the individuals cited for the misdemeanor cases referring them to the specific Community Courts at a set-aside date and time. Alternatively, the individual cited with the misdemeanor can choose to go through the traditional court system to settle the matter.

During the hearing before the Community Court, a Police Officer is present to read the case report. The

panel members then question the individual regarding the misdemeanor case. The panel then decides on the case, and if found guilty, the panel typically gives the individual a choice of paying a fine or performing community service.

If the individual chooses community service, they are referred to the Pretrial Diversion Project, a non-profit organization, that provides community services, under contract with the Sheriff and the Department of Parking and Traffic. If the individual chooses community service, the individual will be required to perform the community service hours in the community where the misdemeanor occurred. Mr. Kiyota reports that those individuals choosing to pay the fine are required to pay the fine to the City and County of San Francisco. According to Mr. Kiyota, the California Community Dispute Services collects the fines and forwards the checks to the Fiscal Division of the Police Department, which deposits the funds into a Bank of America account, known as the Community Court Dispute Resolution Program Funds.

As of November 3, 1999, Mr. Kiyota reports that the Community Court Dispute Resolution Program had a balance of $12,262 in the Bank of America account, including $11,137 from the Bayview and $1,125 from the OMI. To date, Mr. Kiyota advises that none of the collected fines have been expended. According to Mr. Kiyota, if the proposed ordinance is approved, all of these funds will be transferred to the proposed Controller accounts.

Mr. Kiyota advises that the OMI Community Court is planned to be expanded to include the entire area covered by the Taraval Police Station, and to be renamed the Taraval Community Court. The proposed ordinance would require the Controller to separately account for the penalties, fines and other payments awarded to the City and County by (1) the Bayview Community Court, (2) the Taraval Community Court and (3) any additional Community Courts established in other San

Francisco neighborhoods. Furthermore, Mr. Kiyota reports that the penalties, fines and other payments referenced in the proposed ordinance would include the fines received by the Community Courts from the individuals cited for the misdemeanors as well as any other gifts of funds that the Community Courts might receive. Mr. Kiyota reports that to date, the Community Courts have not received any gifts of funds, but there has been no means to accept such gifts.

Under the proposed ordinance, funds deposited into each of these Community Court accounts could only be expended to enhance public safety and the quality of life in that specific community (i.e., Bayview, Taraval or other neighborhood communities), and to support the specific Community Court Programs. In other words, the funds awarded by the Bayview Community Court could only be expended to enhance public safety and the quality of life in the Bayview Community and to support the Bayview Community Court Program.

In accordance with the proposed ordinance, the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney, Chief Executive Officer of the Superior Courts and the Controller shall establish guidelines for the specific disbursement of the penalties, fines and other payments, consistent with the guidelines outlined above. Any expenditure of $5,000 or less could then be disbursed by the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney and the Chief Executive of the Superior Court. Any expenditure in excess of $5,000 would also require appropriation approval by the Board of Supervisors. As stated in the proposed ordinance, all costs that may be incurred by any City department in administering these monies shall be absorbed within that department's existing budget.

Comments:

1. According to Mr. Eugene Clendinen of the Mayor's Criminal Justice Council, the initial two

Community Courts were established as a pilot program to address minor misdemeanors occurring in these communities, that are diverted from the Trial Courts. Mr. Clendinen reported that these two Community Courts were established through an initial $50,000 Federal law enforcement block grant and have been continued with a $150,000 Federal Department of Justice grant. According to Mr. Kiyota, the current Federal law enforcement grant ends in April of 2000. Mr. Kiyota reports that if these projects are determined to be successful, the Mayor's Office will recommend other funding sources to continue the operations of these Community Courts.

2. Mr. Ed Harrington reports that he has reviewed the proposed ordinance, which would require the Controller to separately account for the fines awarded to the City through the Community Court Dispute Resolution Programs. Mr. Harrington advises that this is a preferable arrangement than an earlier version of this legislation which had required the creation of additional Special Funds by the Controller's Office. According to Mr. Harrington, any interest earnings from the proposed funds will accrue to the City's General Fund.

3. Mr. Kiyota advises that the proposed ordinance specifically states that "No cost that may be incurred by any City department in administering these monies shall be recovered therefrom." Therefore, Mr. Kiyota reports that under the proposed ordinance, neither the Controller nor any other City department would receive reimbursement for the costs of administering the proposed accounts. The costs to administer these funds are generally minimal, according to Mr. Harrington. However, Mr. Harrington advises that if maintaining these accounts becomes a problem, the Controller's Office will notify the Board of Supervisors at that time, in order to remedy the situation.

4. As noted above, the current two Community Courts have been initiated with grant funds, which are due to terminate in April of 2000, approximately five months. Based on discussions with the Mr. Kiyota, although the funds can be used to support the Community Court programs, the main purpose of the proposed ordinance is to expend the funds collected by the Community Courts to enhance public safety and the quality of life in each of the Community Court communities. Mr. Kiyota furthermore notes that the funds generated by the Community Courts are not sufficient to sustain the overall operations and maintenance of the Courts.

Mr. Kiyota reports that each Community Court currently has two staff members, one from Pre-trial Services and one from the California Community Dispute Services, both non-profit organizations. Mr. Kiyota estimates that the operating costs for each of the Community Courts is approximately $70,000 to $80,000 annually. As noted above, these Community Courts have been funded with grant funds, that terminate in April of 2000. Therefore, the Budget Analyst suggests that before a long-term decision is made regarding how the funds generated by the Community Courts would be spent, which is the subject of the proposed legislation, a long-term funding source should be identified to provide the ongoing operations and administration for the Community Courts, if they prove successful.

5. In accordance with the proposed ordinance, appropriation of funds less than $5,000 would not be subject to the Board of Supervisors approval. The Budget Analyst notes that since the creation of the two Community Courts in November of 1998, approximately one year ago, a total of only $12,262 has been generated by the fines and penalties assessed by the two Community Courts. Given the amount of funds currently being generated by each of these Community Courts, it is not likely that there would be allocations of funds greater than $5,000 in the near future. Mr. Kiyota responds that

he anticipates the expenditures would be in increments of approximately $500 or less, which, in accordance with the proposed ordinance, would not be subject to the Board of Supervisors approval.

6. At the November 17, 1999 Finance and Labor Committee Meeting, the Chair requested that the Mayor's Criminal Justice Council provide assurances that (1) the individual civil rights of those persons being charged with the misdemeanors are protected; (2) the meetings of the Community Courts are tape recorded; and (3) the guidelines include protections to assure that the funds collected do not go to those persons or organizations who are members of the Community Courts.

Recommendations:

As discussed in Comment No. 4, a long-term funding source should be identified to provide the ongoing operations and administration for the Community Courts, if they prove successful, before a long-term decision is made regarding how the funds generated by these same Community Courts would be spent, which is the subject of the proposed legislation.

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 5 - File 99-2026

Note: This item was continued by the Finance and Labor Committee at its meeting of November 17, 1999.

Department: Real Estate Department
Department of Public Works

Item: Resolution approving and authorizing a Purchase Agreement between the City and County of San Francisco, as buyer, and Pacific Gas and Electric Company (PG&E), as seller, to purchase real property located at 2315 Cesar Chavez Street, known as Assessor's Block Number 4343, Lot 1A, for a purchase price of $3,841,000; approving an agreement by the City to release and indemnify PG&E for hazardous materials; approving certain environmental deed restrictions; approving the assumption by the City of a billboard lease affecting the property; approving certain limitations on the City's remedies against PG&E for breach; adopting findings that the purchase agreement is consistent with the City's General Plan and eight priority policies of City Planning Code Section 101.1; authorizing the Director of Property to execute documents, make certain modifications and take certain actions; and ratifying prior acts.

Amount:

$3,841,000	purchase price
81,000	title and closing costs
$3,922,000	Total

Source of Funds:

$3,109,978	Real Property Special Revenue Fund
812,022	Prior Year Overhead Carryforwards
$3,922,000	Total

Description: The proposed resolution would authorize the City, through the Real Estate Department, to purchase from PG&E, for $3,841,000, 4.09 acres (178,161 square feet at approximately $21.56 per square foot) of property located at 2315 Cesar Chavez Street, on the south side of the street, between Kansas Street and Evans Avenue. The proposed unimproved land parcel to be purchased, currently has four City-owned trailers, three billboards and various DPW vehicles located on the site.

Since February 7, 1986, the proposed parcel has been leased by the City from PG&E. Currently, under a revocable license agreement, the City pays PG&E a license fee of $24,422 per month, or $293,064 annually.

Under the existing license agreement, the Department of Public Works (DPW) uses the proposed site for DPW's Emergency Department Operations and Training trailer, parking of over 100 vehicles for DPW's Bureau of Street and Sewer Repair operations and for the storage of materials. Ms. DeVaughn notes that the proposed site is located adjacent to the City-owned DPW Operations Yard property at 2323 Cesar Chavez Street. In addition, Ms. Marcia DeVaughn of DPW reports that the site currently houses (1) one Department of Parking and Traffic trailer for administrative operations for the Parking Control Officers (PCOs) that accompany DPW's street sweepers each day, (2) one Public Utilities Commission (PUC) trailer for Sewer Operations administration and (3) one DPT trailer that is currently used for storage purposes. According to Ms. DeVaughn, if the proposed site is purchased, the DPW plans to continue to use the property for the same purposes.

On July 28, 1997, the Board of Supervisors approved a Master Settlement Agreement between the City and PG&E, including a Memorandum of Understanding (MOU), which outlined the principal terms and conditions under which PG&E would sell and the City would purchase the subject property (Ordinance No. 304-97. On May 17, 1999, the City, through the Real Estate Department, and PG&E entered into a subsequent MOU, which reiterated the terms and conditions of the previous MOU, but extended the time schedules to be able to complete the approval of the proposed Purchase Agreement to within 180 days of the date of the MOU, which now extends through December 7, 1999.

In accordance with the proposed resolution and PG&E's required terms for the proposed sale of the property, the City must release PG&E for hazardous materials present on the subject property as of the closing date of the proposed sale and indemnify and hold PG&E harmless from releases of hazardous materials after the closing, if such hazardous materials were not present on the property as of the closing, or if the City causes releases of previously disclosed hazardous materials. Mr. Jesse Smith of the City Attorney's Office advises that the proposed Purchase Agreement is basically an "as is sale" and that the City is familiar with the site conditions both based on its past use and on hazardous materials testing done on the property. However, Mr. Smith advises that the proposed agreements contain (1) mutual release provisions, for both the City and PG&E, to agree not to sue each other with respect to hazardous materials; (2) indemnification and hold harmless provisions by the City in favor of PG&E against third party claims, which are limited to certain claims that arise after the closing for matters that are within the City's control; and (3) limitations on certain remedies to the City, such as monetary claims for a breach by PG&E and a waiver of jury trials. According to both Mr. Smith and Ms. Elaine Warren of the City Attorney's Office, the proposed provisions are commercially reasonable for the City, given the overall provisions of the proposed Purchase Agreement, and assuming that the proposed purchase price takes into account these provisions.

Mr. Jesse Myres of the Department of Real Estate advises that the proposed PG&E site used to be a natural gas storage site, and various hazardous materials may have been used on the site. However, Mr. Smith and Ms. Warren report that over several years, there has been environmental testing and analysis of the proposed site, which the Regional Water Quality Control Board has reviewed. Mr. Smith further advises that a letter from the Regional Water Quality Control Board found that no remediation of the site related to the

former natural gas storage facility was necessary, so long as the proposed parcel was used for industrial or commercial purposes.

Therefore, as required by PG&E, the Purchase Agreement restricts the City's use of the property for industrial or commercial purposes. Mr. Myres reports that if the City wants to use the property for other purposes in the future, the Purchase Agreement stipulates that the City would be required to apply to the appropriate regulatory agency for such use (i.e., Regional Water Quality Control Board), and also receive PG&E's consent, which cannot be reasonably withheld. Mr. Myres advises that the valuation of the property was based on the use for only industrial and commercial purposes.

In addition, the Purchase Agreement stipulates that the groundwater under the property will not be used as a water supply. Mr. Myres advises that the site contains serpentine rock, which is natural to this area of the City, however, such serpentine rock contains natural asbestos. Due to the proximity of the Bay and the groundwater on this site, coupled with the natural occurring asbestos, Mr. Myres reports that the restriction to not use the groundwater as a water supply was included, as required by PG&E.

Furthermore, there is also a 30-foot wide easement that PG&E would reserve in the deed for overhead electric facilities for PG&E, which is located along the western border of the property, adjacent to the DPW's operations yard (See Comment 6 for additional details).

Under the proposed resolution, the City will assume the existing PG&E lease with Outdoor Systems, Inc. for the billboards on the subject property (See Comment 7 for additional details).

Comments:

1. Mr. Myres reports that the proposed purchase price of $3,841,000 and the terms and conditions of the proposed acquisition represent the fair market

value for this property at the time of the Settlement Agreement in 1997.

2. In addition to the proposed purchase price of $3.841,000, in accordance with the proposed Purchase Agreement, the City will pay land survey ($10,000), closing costs ($2,500), extended coverage title insurance ($5,500), environmental inspection fees ($8,000) and prorated costs of Property Taxes ($55,000), resulting in total additional costs of $81,000 according to Mr. Myres.

As part of the existing revocable license agreement between PG&E and the City, the City is responsible for annually reimbursing $55,000 of Property Taxes to PG&E, which PG&E pays to the State Board of Equalization. As noted above, these Property Taxes would be prorated and paid as part of the purchase for the parcel. Once the City purchases the subject property, these Property Taxes would no longer be paid by the City.

3. Ms. Tina Olson of DPW reports that $3,109,978 was included in DPW's FY 1999-2000 Capital Improvement Project budget (Real Property Special Revenue Fund) for the purchase of the proposed parcel at 2315 Cesar Chavez Street. Ms. Olson reports that such funds were made available through the 1998 sale of DPW's surplus property at 7th and Channel Streets to Maycor, Inc., the high bidder, for $3,867,000. In addition, Ms. Olson advises that the balance of $812,022 ($3,922,000 total purchase and closing costs less $3,109,978 FY 1999-2000 Capital Budget appropriation) would be funded with DPW overhead monies that were appropriated in previous years, and carried forward for this purpose.

4. The proposed sale of the property would be subject to the California Public Utilities Commission (CPUC) approval. In accordance with the proposed resolution and Purchase Agreement, PG&E is obligated to use diligent efforts to obtain the CPUC's approval. Either the City or PG&E can terminate the proposed Purchase Agreement if the

CPUC does not authorize approval of the proposed sale of the property within 23 months from the date that the application is submitted to the CPUC for approval. Mr. Smith reports that, once the Purchase Agreement is signed and the application is completed, it is estimated to take approximately 12 to 18 months to receive the CPUC's approval, and that the CPUC is generally required by law to act within 18 months.

5. The proposed resolution would adopt the findings that the Purchase Agreement is consistent with the City's General Plan and the eight priority policies of City Planning Code Section 101.1. On October 20, 1999, the Director of Planning submitted a report which found that the proposed Purchase Agreement is consistent with the City's General Plan and the eight priority policies of City Planning Code Section 101.1.

6. The proposed Purchase Agreement stipulates a 30-foot wide easement, where existing PG&E electric overhead power lines are located, along the western border of the PG&E property, immediately adjacent to the DPW operation yard. According to Mr. Myres, the deed for the proposed property will contain this 30-foot wide easement, which prohibits the drilling of any wells or the construction of any buildings or reservoirs, but provides for the City's use of the surface within the 30-foot wide easement area.

Currently, Ms. DeVaughn reports that DPW's emergency operations trailer, which is seismically anchored and contains numerous telephone, computer and satellite communications, is located within the 30-foot wide easement area. However, Ms. DeVaughn and Mr. Smith advise that they are currently discussing this issue with PG&E to seek clarification of the ability to retain the trailers in their current location, since these trailers have been located on this same site for years, with the previous permission of PG&E. According to Ms. DeVaughn, the estimated cost to relocate this trailer would be $50,000 to $100,000. Ms. Olson

reports that, if the trailers need to be relocated, such funds would need to be budgeted.

7. According to Mr. Myres, under a current year-to-year agreement between PG&E and Outdoor Systems, PG&E presently receives $3,170 of annual revenue from Outdoor Systems for the three billboards on the subject property. Ms. DeVaughn advises that the billboards do not interfere with DPW operations on the site. Mr. Myres advises that, if the City enters into the proposed Purchase Agreement, once the existing lease with Outdoor Systems expires, it is the City's intention to enter into a new agreement with Outdoor Systems at market rate rents for the three billboards on the property. Mr. Myres estimates that such rental revenues should be approximately $5,000 annually and reports that such revenues would accrue to the City's General Fund.

8. Although the City, through the DPW, has leased the subject property since 1986, a period of over 13 years, Mr. Smith and Ms. Warren advise that the City was not able to purchase the property at an earlier date due to years of negotiations between the City and PG&E over the price and the investigation of potential hazardous materials located on the site. As discussed above, on July 28, 1997, the Board of Supervisors approved a Master Settlement Agreement between the City and PG&E, which included an MOU outlining the parameters for PG&E to sell the City the proposed property. As a result, the City now has through December 7, 1999, to approve the proposed Purchase Agreement, as required by the subsequent MOU of May 17, 1999, entered into by PG&E and the City, through the Real Estate Department. Therefore, Mr. Myres advises that if the City does not approve the proposed Purchase Agreement, by December 7, 1999, then PG&E does not have to sell the proposed site at the previously agreed price of $3,841,000.

9. Based on the current annual rental costs of $293,064 and the additional annual Property Taxes

of $55,000, DPW is currently paying a total of $348,064 annually to PG&E to lease the subject property. Under the proposed license agreement, as of July 1, 2001, the current annual rents will be adjusted to current market rates. Given the proposed one-time purchase price of $3,841,000 and the one-time closing costs of $81,000, the City will incur a total one-time cost of $3,922,000 to purchase the proposed property. The City, through DPW, has been leasing the subject property for the past 13 years and reports a continuing need for use of the property for DPW's equipment, vehicles and storage. Therefore, the Budget Analyst estimates that by purchasing the subject property outright and not paying future rental and Property Tax payments, the City will realize total savings equivalent to the $3,922,000 purchase and closing costs of the property within 11 years, and at least $350,000 in savings annually thereafter.

10. Given that (1) DPW continues to have an ongoing need for use of the subject property, which is located immediately adjacent to the City-owned DPW operations yard; (2) the City has leased the subject property for the past 13 years at the current annual cost of $293,064, plus $55,000 annually for Property Taxes, for a total annual cost of $348,064; (3) the purchase price of $3,841,000, including closing costs of $81,000, for total one-time costs of $3,922,000 and the terms and conditions of the proposed acquisition represent the fair market value for this property; (4) by purchasing the property outright, the City will realize total savings equivalent to the $3,922,000 purchase and closing costs of the property within 11 years, and at least $350,000 in savings annually thereafter; (5) the City Attorney has determined that the proposed releases, indemnification and limitations are commercially reasonable, based on the determination by the Real Estate Department that the purchase price reflects those terms; and (5) the funds have already been appropriated for this purpose, the Budget Analyst recommends approval of the proposed Purchase Agreement.

Recommendation: Approve the proposed resolution.

Item 6 – 99-1991

Department: Department of Real Estate (DRE)

Item: Ordinance (a) ordering the summary vacation and sale of the public service easement located in Assessor's Block 7145, Lot 17, which comprises a portion of 1098 Huron Avenue, (b) making findings pursuant to the California Streets and Highway Code, Chapter 4, Sections S330 (Public Streets, Highways and Service Easements Vacation Law, Summary Vacation), (c) making findings of conformity with the City's General Plan and Priority Policies of Planning Code Section 101.1, and (d) requesting official actions in connection with the vacation and sale.

Description: The proposed ordinance would authorize (a) summary vacation of a City-owned five-foot easement, which comprises a portion of the property located at 1098 Huron Avenue, and (b) authorize the sale of such easement to the owner of the property at 1098 Huron Avenue.

Comments:

1. According to Mr. Gerald Romani of DRE, the easement, located on Lot 17 of Assessor's Block 7145, consists of approximately 467 square feet, and was designated as a public service easement in 1912 to provide a public right-of-way.

2. Mr. Romani reports that the property owner of 109S Huron Avenue began construction on a three-unit condominium building on the property, after obtaining building permits but prior to obtaining Department of Public Works (DPW) approval of the subdivision map. According to Mr. Romani, DPW determined that the property owner had built on the subject easement, and requested that DRE appraise the market value of the easement and negotiate the sale to the property owner. DRE is now proposing to sell the subject easement to the owner of the property at 1098 Huron Avenue, for $28,000 (approximately 467 square feet at $60 per square foot). Mr. Romani advises that the proposed purchase price of the easement represents fair market value, based on an appraisal of comparable vacant land sales.

3. According to Mr. John Malamut of the City Attorney's Office, California Streets and Highways Code, Section 8333, permits the City to summarily vacate the public service easement, subject to Board of Supervisors approval, if the easement has not been used for its designated purpose for five consecutive years. As stated in the letter from the Department of Public Works, the subject lot "serves no purpose as a public right-of-way and has not done so for many years".

Recommendation: Approve the proposed ordinance.

Item 7 - File 99-2073

Departments:	Children, Youth and Their Families (DCYF) Delinquency Prevention Commission (DPC)
Item:	Resolution authorizing an amendment to two existing leases of real property at 1390 Market Street for the Department of Children, Youth and Their Families and for the Delinquency Prevention Commission.
Location:	Suite 925 on the Ninth Floor at 1390 Market Street, Fox Plaza
Purpose of Lease:	Administrative Offices for DCYF and DPC
Lessor:	Calfox, Inc.
Lessee:	Department of Children, Youth and Their Families (See Comment No. 6)
Term of Lease:	To commence upon completion of tenant improvements, or approximately January 1, 2000, for the addition of Suite 925. When DPC and DCYF leases expire on November 30, 2000, commence new lease term of five years, or through November 30, 2005.
Number of Square Feet And Cost Per Month:	Beginning approximately January 1, 2000, DCYF would occupy an additional 1,217 square feet of space in Suite 925 at approximately $2.33 per square foot per month ($28 per square foot annually), for an additional monthly cost of approximately $2,840. Currently, DCYF and DPC occupy space at a cost of $7,694 monthly. Therefore, under the amended lease, the total monthly costs will be $10,534. Beginning on December 1, 2000, the base monthly rent for a total of 7,237 square feet of space (5,143 square feet for DCYF + 877 square feet for DPC + 1,217 square feet of additional subject space) will be $2.50 per square foot per month ($30 annually),

or a total of $18,093 monthly. See Comment 1 for details regarding changes in square footage.

Annual Cost: As of January 1, 2000, annualized costs of $126,408 (Monthly costs of $10,534 x 12 months). As of December 1, 2000, annualized costs of $217,116 (Monthly costs of $18,093 x 12 months), an increase of 72 percent.

Utilities and Janitor Provided by Lessor: Yes

Source of Funds: Proposition J Children's Special Funds in current fiscal year; Proposition 10 Trust Funds from State tobacco surtaxes to be used for portion of funds in future fiscal years.

Right of Renewal: One five-year option to extend at fair market rents

Description: The proposed resolution would authorize the Department of Children, Youth and Their Families (DCYF) and the Delinquency Prevention Commission (DPC) to amend two existing leases, which both expire on November 30, 2000, in order to renew and expand such leases on the ninth floor of the Fox Plaza building, located at 1390 Market Street. On October 9, 1995, the DCYF entered into their lease for 4,991 square feet of space in Suites 918 and 924 in Fox Plaza at a current annual cost of $83,969, or $16.82 per square foot of space. On November 2, 1995, the DPC entered into their lease for 860 square feet of space in Suite 901 in Fox Plaza at a current annual cost of $15,201, or approximately $17.68 per square foot of space.

Under the proposed lease expansion and extension, there would be no change in the rent currently being paid by DCYF and DPC for the space they presently occupy in Suites 918, 924 and 901 until their leases expire on November 30, 2000. However, under the subject amendment to this existing lease, an additional 1,217 square feet of space would be added for DCYF in Suite 925 at a cost of approximately $28 per square foot for approximately one year, after tenant improvements

are completed on that space. Beginning on December 1, 2000, one new five-year lease term would commence for the entire expanded 7,237 square feet of space at an annual cost of $30 per square foot.

Comments:

1. Mr. Charlie Dunn of the Department of Real Estate reports that in June of 1996, the Building Owners and Managers Association (BOMA) readjusted their standards for calculating the amount of rentable square footage to include a greater pro rata share of the common areas of a building to be charged to each tenant. Such common areas include the corridors, bathrooms, lobby and janitorial and mechanical rooms. As a result, CalFox, Inc., the lessor, will readjust the amount of rentable square feet that is included in the proposed new lease of space for the DCYF and the DPC. Under the proposed recalculations of space, the previous 4,991 square feet for DCYF will be readjusted to 5,143 rentable square feet, an increase of 152 square feet, or a three percent increase. The previous 860 square feet for DPC will be readjusted to 877 rentable square feet, an increase of 17 square feet, or a two percent increase.

2. According to Mr. Cedric Yap of the DCYF, in 1995, when DCYF initially entered into this lease, the Department had approximately 15 DCYF staff and up to five Starting Points Initiative staff, for a total of up to 20 staff. Mr. Yap reports that the Starting Points Initiative is a public/private policy and planning project dedicated to improving the lives of young children and their families in San Francisco, which is housed in the offices of the Department of Children, Youth and Their Families. Currently, Mr. Yap advises that the Department has approximately 27 full-time equivalent staff and the Starting Points Initiative has five staff positions, for a total of approximately 32 staff, an increase of 60 percent over the last five years. In addition, Mr. Yap notes that four youth interns periodically work in their offices and the Department will be requesting up to two additional

full-time staff positions in the coming fiscal year. The significant growth in the number of staff over the past five years, coupled with some anticipated growth over the next five years necessitates the need for the additional space, according to Mr. Yap.

3. In addition, Mr. Yap advises that the Board of Supervisors established the California Children and Families First Trust Funds, with Proposition 10 monies from the increased State surtax on cigarettes and other tobacco products (Ordinance 409-98). Mr. Yap reports that one Executive Director position for the California Children and Families First Trust Funds is to be hired immediately, to be located within the newly leased offices. Furthermore, an administrative assistant is likely to be hired in May of 2000 from these Trust Funds, who also would be located in the newly leased space, according to Mr. Yap and once the Proposition 10 funds of approximately $6 million are released in May of 2000, additional staff may also be added. Additionally, one staff person is assigned to the Childcare Policy Advisory Committee (CPAC).

4. In 1998, the Board of Supervisors transferred administrative oversight for the Delinquency Prevention Commission (DPC) to DCYF (Resolution 717-98). Mr. Yap advises that the DPC currently has two full-time equivalent staff positions. Therefore, in total, the proposed lease space would need to accommodate approximately 37 staff (27 from DCYF + 5 from Starting Points Initiative + 2 from California Children and Families First Trust Funds + 2 from DPC + 1 from CPAC). Based on the total proposed 7,237 square feet of space and the anticipated 37 staff positions results in an average of approximately 196 square feet per staffperson. According to Mr. Dunn, the Real Estate Department's guidelines are for approximately 175 to 250 square feet per person. Mr. Yap notes that the DCYF also employs youth interns and anticipates hiring of additional staff in the coming years, who would need to be accommodated in the same space.

5. Mr. Yap advises that the proposed Suite 925 to be leased is located in between Suites 918 and 924 where the DCYF is located and Suite 901, where the DPC is located. Therefore, Mr. Yap reports that expanding the administrative offices to incorporate Suite 925 will interconnect the DCYF with both the DPC and the California Children and Families First Trust Fund offices to allow for direct staff oversight by DCYF and more flexible and efficient use of all the space. For example, Mr. Yap notes that the DPC has a Commission room that would be available for use for conference and meeting rooms for the other staff.

6. Mr. Yap advises that under the new lease provisions, there will be only one lease between CalFox and the DCYF. The current lease between CalFox and the Delinquency Prevention Commission will be assumed under these new lease provisions. As a result, Mr. Yap reports that the DPC will pay the DCYF for the DPC's use of space and the DCYF will handle all of the administrative responsibilities for the DPC.

7. As noted above, the proposed new lease arrangements will result in an increase in the annual cost per square foot from $16.82 for the Department of Children, Youth and their Families (DCYF) and $17.68 for the Delinquency Prevention Commission (DPC) to $30 per square foot, beginning in December of 2000. This represents an increase of 78 percent for DCYF and 70 percent for DPC, or an overall increase of 72 percent. However, Mr. Dunn reports that the proposed new lease terms represent the current fair market rents for the proposed space.

Recommendation: Approve the proposed resolution.

Item 8 – File 99-2120

Department:	Department of Real Estate (DRE)
Item:	Resolution authorizing the issuance of a permit to Delancey Street Foundation for use of City-owned property at 2350 19th Avenue, under the jurisdiction of the Fire Department.
Location:	2350 19th Avenue
Term of Permit:	November 15, 1999 through December 25, 1999 (six weeks)
Permit Fee:	$7,500
Description:	The proposed resolution would authorize the Department of Real Estate (DRE) to issue a six-week permit to Delancey Street Foundation, a nonprofit organization, to use 12,000 square feet of a vacant lot and shed space at 2350 19th Avenue, for the sale of Christmas trees and related decorations.
Comments:	1. According to Mr. Harry Quinn of DRE, in November of 1999, the Board of Supervisors approved a resolution, authorizing DRE to grant a six-month option to the San Francisco Neighborhood Resource Center, a nonprofit agency, for that agency to lease the subject property to provide information and referral services to the Chinese-speaking residents of the Sunset District (File 99-2006). Mr. Quinn states that the six-month option included the subject shed and lot space, as well as 500 square feet of office space. Because the San Francisco Neighborhood Resource Center does not intend to exercise its option to lease the subject property during the period from November 15, 1999, through December 25, 1999, DRE is seeking authorization to issue a permit to Delancey Street for use of the vacant shed and lot space. 2. Mr. Quinn states that the $7,500 permit fee, payable by Delancey Street Foundation to the City, to cover use of the property and the City's related administrative costs represents fair market value for the six-week permit, based on a monthly rent of $5,000.

3. The term of the permit commenced on November 15, 1999, and therefore, the resolution should be amended to provide for retroactivity.

4. Because DRE authorized the Delancey Street Foundation to begin selling Christmas trees and related decorations at the subject property as of November 15, 1999, the commencement date of the proposed permit authorization, prior to obtaining Board of Supervisors approval, the Budget Analyst considers this resolution to be a policy decision.

Recommendations:

1. Amend the resolution to provide for retroactivity.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Item 9 – 99-1859

Note: This item was continue by the Finance and labor Committee at its meeting of October 20, 1999.

Departments:	Department of Public Works (DPW) Public Utilities Commission (PUC) Real Estate Department (DRE)
Item:	Resolution authorizing the acquisition by the City of Lots 3 and 4 in Assessor's Block 4501 to permit the Public Utilities Commission (PUC) to expand the Southeast Water Pollution Control Plant Booster Pump Station, and adopting findings pursuant to City Planning Code Section 101.1.
Location:	Assessor's Block 4501, Lots 3 and 4, bounded by Third Street, Arthur Avenue, and Islais Creek
Owner and Seller:	Fee Properties II, a California partnership
Size of Lots:	In combination, Lots 3 and 4 total approximately 2,982 square feet of land area.
Purchase Price to be Paid by the City:	$250,000 plus an estimated $5,000 in title insurance and standard closing costs, for a total estimated cost to the City of $255,000
Source of Funds:	Clean Water Program 1988B Sewer Revenue Bonds
Description:	The proposed resolution would authorize the acquisition by the City of Assessor's Block 4501, Lots 3 and 4 (the "subject property"), from Fee Properties II, a California partnership. The subject property consists of 2,982 square feet of vacant land and is bounded by Third Street, Arthur Avenue, and Islais Creek. The purchase price would be $250,000, plus an estimated $5,000 for title insurance and standard closing costs, resulting in a total estimated cost to the City of $255,000. The acquisition of the 2,982 square foot property would enable the PUC to expand the Southeast Water Pollution Control Plant Booster Pump Station by 2,287 square feet from 1,232 square feet to 3,519 square feet.

In his letter of April 8, 1999 to the PUC, the Director of Planning stated that the proposed expansion of the Southeast Water Pollution Control Plant Booster Pump Station would be (a) in conformity with the City's General Plan, (b) exempt from Environmental Review under Class 1 of the California Environmental Quality Act, and (c) consistent with the Eight Priority Policies of City Planning Code Section 101.1.

Comments:

1. According to Mr. Jonathan Loiacono, Manager of Engineering for the PUC's Water Pollution Control Division, the existing Southeast Water Pollution Control Plant Booster Pump Station located in Assessor's Block 4501, Lot 1, at Third Street and Arthur Avenue cannot discharge more than 95 million gallons per day in dry weather without risking an overflow into Islais Creek which would be in violation of the Regional Water Quality Control Board's requirements. To avoid such violations, since 1988 the PUC has used an upstream pump station to store sewage at peak times, which causes odor problems for the area around that upstream pump station. Mr. Loiacono states that, in order to preclude potential future violations of the Regional Water Quality Control Board's permit requirements, the PUC has deemed it necessary to expand the Southeast Water Pollution Control Plant Booster Pump Station (Resolution 99-0116) and install new equipment at an estimated cost of $10,000,000 from Clean Water Program 1988B Sewer Revenue Bonds. Mr. Loiacono states that upgrading the existing equipment would (a) enable the Southeast Water Pollution Control Plant Booster Pump Station to cope with a peak discharge flow of 110 million gallons per day, (b) avoid the need to store sewage at an upstream pump station, thereby avoiding odor problems at that location, (c) replace approximately 12 year old mechanical and electrical equipment that is now at the end of its useful life, and (d) increase the Pump Station's reliability by providing a backup pump mechanism in the event of a failure. Attachments I and II are memoranda prepared by Mr. Loiacono which further explain the need to expand and upgrade the Pump Station.

2. The subject property's purchase price of $250,000 would be funded by Clean Water Program 1988B Sewer

Revenue Bonds. According to Mr. Carlos Jacobo of the PUC, acquisition of this property would be funded from the $10,000,000 budget appropriated by the Board of Supervisors from Clean Water Program 1998B Sewer Revenue Bonds for the expansion and upgrading of the Southeast Water Pollution Control Plant Booster Pump Station. As contained in the relevant budget documents, $6,900,000 was appropriated for this project under the Clean Water Enterprise 1998-99 Capital Improvement Projects, and $3,100,000 was appropriated for this project under the Clean Water Enterprise 1999-2000 Capital Improvement Projects.

3. Mr. Steve Hoppe of the DRE states that the DRE prepared an appraisal for the subject property which determined that the purchase price of $250,000, or approximately $83.84 per square foot ($250,000 divided by the 2,982 square feet of the subject property), represents fair market value. The owner of the subject property agreed to this price and a property acquisition agreement was finalized on November 4, 1999.

4. The property acquisition agreement between the City and Fee Properties II would require the City to (a) defend all actions filed against Fee Properties II related to environmental conditions on the subject property, (b) release and indemnify Fee Properties II against claims related to environmental conditions on the property in an amount not to exceed $250,000, and (c) reimburse any legal defense costs incurred by Fee Properties II. Mr. Hoppe states that such an indemnification provision is unusual and has been included in the pending property acquisition agreement at the insistence of the partners of Fee Properties II, Mr. Sherman Little and Ms. Lynn Schilling. According to Mr. Hoppe, Fee Properties II has had an ownership interest in the subject vacant land since 1992 and has not used the property for industrial purposes.

Based on the information provided by the DRE about the use of the property by Fee Properties II, Ms. Rona Sandler and Mr. Charles Sullivan of the City Attorney's Office state that, while a future litigant might sue all previous owners of the property and the City in a lawsuit related to

environmental conditions on the subject property or adjacent properties, it is unlikely that Fee Properties II would be found to have contributed to the subject property's environmental condition. Ms. Sandler and Mr. Sullivan state that the City has agreed to indemnify Fee Properties II for (a) up to $250,000 for any liability they might incur as a result of the condition of the property, and (b) the additional cost of any legal defense costs incurred by the Fee Properties II.

5. According to Mr. Stan Desouza of the DPW, soil testing for a light rail project, which was completed in October of 1998 on Third Street, along the east side of the subject property, has not indicated any unexpected environmental conditions. Although DPW has not yet conducted any environmental investigation or testing on the subject property, DPW already knows that the subject property occupies historic fill land which contains 2,000 cubic yards of soil which will have to be disposed of in a Class 1 disposal facility because of lead contamination. Based on DPW's soil testing of adjacent land, Mr. DeSouza states that DPW does not anticipate unexpected environmental conditions on the subject property.

6. Attachment III is a memorandum from Mr. Hoppe explaining why the City should indemnify Fee Properties II for claims of up to $250,000 when, according to the DRE, such an indemnification provision is not normally included in property acquisition agreements entered into by the City.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

City and County of San Francisco
Public Utilities Commission
Water Pollution Control Division

San Francisco
Clean Water Program

San Francisco
Water Department

Hetch Hetchy
Water And Power

Willie L. Brown, Jr., *Mayor*

Anson B. Moran, *General Manager*

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MEMORANDUM

TO : Mike Quan
Manager, PUC UEB

DATE : July 26, 1999

FROM : Jon Loiacono
Manager, WPCD Engineering

FILE : Cap Proj:JO:BPS

SUBJECT : Rationale for Current SEWPCD Booster Pump Station Design and need to acquire Adjacent Private Property - PUC Contract No. CW-227

The Southeast Water Pollution Control Plant Booster Pump Station (BPS) pumps effluent sewage from the Southeast Plant (SEP) into the San Francisco Bay. The existing pump station is old and currently can not pump the flowrate required to meet SEP's peak wet weather permit conditions nor the peak diurnal flowrate during dry weather. In addition, there is no redundant pumping capacity. If a pump fails during a wet weather event, the BPS flowrate will be reduced by one third. If a pump fails during dry weather, more sewage will need to be stored upstream of Channel Pump Station. The storage of sewage upstream of Channel Pump Station causes odors to emanate in the Mission Bay and South of Market area. Hence, the need to expand the pump station.

SUMMARY OF SITE SELECTION PROCESS

The BPS project was initiated in 1997. The need for the project is described above. There were limited funds available for this project. Ultimately about ten million dollars was allocated for this project.

The funding restrictions and system site limitations required that we consider expansion of the existing BPS as opposed to constructing a new pump station and connection into the existing San Francisco Bay Outfall somewhere else on available City Property. The system site limitation is where the BPS connects to the Islais Creek Underwater Crossing which connects to the existing San Francisco Bay Outfall. It will be useful if the enclosed drawing is referred to for the descriptions of alternatives.

The existing BPS discharge header runs from east to west and connects into the Underwater Crossing at the Westerly end.

We evaluated five options prior to the selected option, that were within the confines of the City's Lot 1 and 5 as shown on the drawing. The fifth option required a sump built up to the property line of Lot 4. None of these five options however could be built and meet the Regional Water Quality Control Boards (RWQCB) restriction that the City would only be allowed three, 7 day shut downs during construction (see background below). None of the first five options had space to accommodate the electrical drives and switch gear, and allow ease of access for maintenance.

The RWQCB requirement for limited shutdowns necessitated that we build two new sumps, pumps, all related appurtenances, and electrical equipment, prior to work within the existing pump station structure. The new sumps, pumps and etc. needed to be connected to the existing discharge header and fully operational before work could commence within the existing pump station.

The final design incorporated four pumps and sumps and can meet our flowrate conditions with only three pumps operational.

Expansion into the west portion of Lot 1 is deemed to be technically infeasible due to the configuration of the Islais Creek Underwater Crossing connection; and the need for more space to house the electrical equipment and other appurtenances, than is available.

The existing layout and expansion into private property was not taken lightly and without serious consideration. There were many constraints on this project that have been described that led to the final layout. Engineering also discussed and has been working with the PUC Land Management Section and Real Estate since late 1997 regarding acquisition of this property. We believe that for the reasons stated above that this project is a public necessity.

As a final note, this design has been worked out with many groups which include the Bay Conservation and Development Commission, City Planning, The Friends of Islais Creek and the Regional Water Quality Board.

BACKGROUND

The pump station was originally built in the 1960's. Two pumps pumped an average flow of 20 million gallons per day (MGD) and a peak flow of 70 MGD. The pump station was modified in the 1980s and currently three pumps pump an average of 70 MGD and a peakflow of 95 MGD.

Two events occurred in the 1990s that led to the need for the Clean Water Program to upgrade the pump station.

1. The total peak treatment capacity at SEWPCP was increased to 250 MGD of which the wet weather primary only treatment peak capacity was increased to 110 MGD and the secondary treatment peak capacity remained at 140 MGD. The Regional Water Quality Control Board (RWQCB) permit for the Southeast Water Pollution Control Plant mandates that all wet weather primary treatment effluent up to 110 MGD be pumped into San Francisco Bay Outfall near Pier 80 during wet weather and all secondary plant effluent must be pumped to the bay outfall during dry weather. The dry weather flow averages 70 MGD and the diurnal peak is slightly over 100 MGD.
2. The RWQCB had a document prepared entitled "Wastewater Pumping Station Reliability Recommendations" dated 11/7/96. The recommendation included redundant pumps to ensure reliability.

Furthermore, the age of some of the systems in the pump station that could fail, leaves the pump station vulnerable to a shut down of all pumps.

Because the Booster Pump Station currently cannot fully meet these RWQCB permit requirements, this project was initiated in 1997 to expand the pump station capacity to 110 MGD with three pumps running and one on standby. The project requires an expansion of the pump station building structure to install additional sumps to house the new pumps. A Clean Water Program bond fund budget of about ten million dollars ($10M) was allocated for this project. In order to construct the required improvements, the RWQCB has granted the PUC a waiver of dry weather discharge to Islais Creek to shut down the pump station of a week at a time on three occasions during construction.

We would like the opportunity to meet with you to go over this project with the drawing and at the site. A delay of this project at this time will be a minimum of one year and increase the risk of a pump or pump station failure.

JL/ee
cw12\marquan.doc

Booster Pump Station Upgrade Funding Justification

The Southeast Water Pollution Control Plant (SEWPCP) of the City and County of San Francisco presently discharges an average dry weather flow of 67 million gallons per day (MGD). The peak secondary treatment capacity is 150 MGD. SEWPCP treats domestic and industrial wastewater from the Southeast and North Shore areas of San Francisco, the Bayshore Sanitary District, and a small part of the North San Mateo County Sanitation District. The plant serves a combined sewer system. Treated wastewater of up to 100 MGD is pumped into a deep water outfall through pier 80 to the northern portion of San Francisco Bay approximately 810 feet from shore and 42 feet below the mean lower low water level where the initial dilution exceeds 10:1.

Following the completion of the Rankin Pump Station and Southeast Water Pollution Control Plant Improvements project in April 1997, SEWPCP can provide an additional 100 MGD of primary-only treatment during wet weather for a total wet weather treatment capacity of up to 250 MGD. The effluent flow in excess of 100 MGD is discharged into Islais Creek through the Quint Street Outfall where the initial dilution is less than 10:1.

The Regional Water Quality Control Board (RWQCB), San Francisco Bay Region, adopted a revised Water Quality Control Plan for the San Francisco Bay Basin (Basin Plan) on December 17,1986 and amended it on September 16,1992, which was approved by the State Board on April 27,1993. The Basin Plan prohibits waste discharges to surface waters where less than 10:1 initial dilution is achieved, except the wet weather discharges into Islais Creek is still allowed, as long as they are consistent with the RWQCB's Cease and Desist Order and its amendments.

To comply with the RWQCB's order #91-153 which allows only secondary effluent with adequate disinfection to be discharged to Islais Creek during wet weather; and to comply with the RWQCB's Cease and Desist Order #79-67 which requires the SEWPCP capacity be increased to 250 MGD to lower the number of overflows in the Islais Creek to ten overflows per year, the City and County of San Francisco initiated the SEWPCP plant improvements project in late 1990. The construction started in January 1994 and was completed in April 1997. The project cost total $105 million.

The limited capacity of the Booster Pump Station was not addressed in the SEWPCP Improvements project. The maximum capacity could reach 100 MGD with the present three Johnston Vertical Pumps. However, only about 90 MGD can be reliably delivered to the Pier 80 outfall. After the SEWPCP improvements project, the primary-only treatment capacity was increased to 100 MGD. All of

this flow must be pumped to the Pier 80 outfall because only secondary effluent is allowed to overflow into Islais Creek during wet weather. The present Booster Pump Station can not reliably accomplish this task. In addition, the Islais Creek Storage Box will be put online during wet weather. More flow will come into the plant for treatment. This requires all three booster pumps to work at peak flow conditions for about 20% more time without any backup pump as shown in the following table. If one pump breaks down, the Booster Pump Station will not be able to deliver the required flow, risking violations of the NPDES discharge permit. The plant flow will also need to be reduced, causing underutilization of the full capacity of the plant.

	Peak Booster Pump Station Flow	
	90 MGD	100 MGD
Peak Plant Flow	Hours of Pump Peak Operation	
210 MGD	638	616
250 MGD (Islais Creek Storage Box Online)	760	740
Percent Increase	19.1%	20.1%
Note: the numbers are provided by a Hydrologist contracted with the City.		

To prevent the problems listed above from happening, a reliable total capacity of 110 MGD for the Booster Pump Station is needed at all times. The Wastewater Pumping Station Reliability Recommendations prepared for the the California RWQCB, San Francisco Bay Region in October 1996 by Black and Veatch recommended that the firm pumping capacity of a pumping station, which is the sum of the capacity of the pumping units that can be operated together with the largest pumping unit out of service, should equal or exceed the maximum anticipated design flow, which in our case is 110 MGD. This redundancy is necessary to ensure a continuous and reliable pumping station operation to prevent wastewater overflows or spills.

The study by WPCD Environmental Engineering suggested that the required booster pump station reliability and redundancy could be accomplished by modifying the existing booster pump station. Three old Johnston Vertical Pumps would be replaced with four Fairbanks Morse Vertical Turbine Solids-Handling Pumps. It is requested that the funding for this upgrading work be provided from the restricted bond money.

Attachment III

City and County of San Francisco

Real Estate Department
Office of the
Director of Property

Memorandum

To: Alan Gibson
Budget Analyst' Office

Through: Harry Quinn
Assistant Director of Property
Anthony J. DeLucchi
Director of Property

From: Steve Hoppe
Real Property Officer

Date: October 15, 1999

Subject: 3rd and Arthur Streets acquisition for Pump Station Expansion

The subject property is the only property suitable for the proposed pump station expansion (the "Project"). The seller insists on the release and indemnification language or he will not sell voluntarily. The PUC has indicated it does not want to acquire property through the eminent domain process. Therefore, if the City wants to purchase this property, it must accept the seller's release and indemnity language.

As a practical matter, the City will be subject to possibly substantial fines if the Project is not built, so any expense, however probable or improbable, would have to be weighed against the much more certain fines.

Please call me if you have any questions.

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554-9850
FAX: 552-9216
25 Van Ness Avenue, Suite 400
San Francisco, 94102

Item 11 - File 99-2024

Department: Committee on Information Technology (COIT)

Item: Hearing to consider the release of funds previously reserved in the FY 1999-2000 budget in the amount of $1,125,000 for the Committee on Information Technology's (COIT) Year 2000 Project Management Office.

Amount: $1,125,000

Source of Funds: General Fund Reserve

Description: During the FY 1999-2000 budget process, the Board of Supervisors appropriated $2,250,000 for the Committee on Information Technology's (COIT) Year 2000 Project Management Office, placing $1,125,000 on reserve. COIT is now requesting that the $1,125,000 be released from reserve.

Ms. Patty Fado, Director of the Year 2000 Project Management Office, advises that the Office provides services to coordinate and assist City departments with planning, assessment, and remediation of Year 2000-related computer problems. The requested $1,125,000 release of reserves would fund the final stage of this project, through April 7, 2000. Ms. Fado reports that the reason funding is required through April 7, 2000 is because the Year 2000 is a leap year, a fact overlooked by many system and equipment manufacturers. As a result, Ms. Fado advises that the City's equipment and systems must be tested and adjusted to account for the leap year's extra day (February 29).

Budget: Attachment I, provided by the Year 2000 Project Management Office, contains a budget for the total $2,250,000 appropriated by the Board of Supervisors for the Year 2000 Project in the FY 1999-2000 budget, including this subject $1,250,000 which was placed on reserve. As shown on Attachment I, $1,145,253 of the $2,250,000 has been expended to date, leaving a balance of $1,104,747 in unexpended funds. Therefore $20,253 of the requested of $1,125,000 has already been expended prior to obtaining approved release of the reserved monies from

the Board of Supervisors. An additional $630,148 has been encumbered for work which has begun and, in some cases, has already been completed. Therefore COIT has expended and encumbered $650,401 of this requested release of $1,125,000 without first obtaining Board of Supervisors approval for the funds to be released. Finally, COIT is requesting the balance of $474,599 to fund the remainder of the project. Attachment II, provided by Ms. Fado, is a description and budget details for the $650,401 of already encumbered funds and the $474,599 in Year 2000 Project work remaining to be completed.

In summary, COIT is now requesting the subject $1,125,000 release of reserves for previous expenditures ($20,253), encumbered expenditures ($630,148), and to fund the remaining Year 2000 Project work ($474,599) through March 2000.

Comment:

1. The Board of Supervisors previously appropriated $500,000 in both FY 1997-1998 and 1998-1999, for a total of $1,000,000, for Year 2000 compliance expenditures. These appropriations included expenditures for the City's payroll system ($247,000), the Health Services System ($186,000), the Mayor's Emergency Telephone System ($65,000), the Court Management System ($126,000), a contract to assess the City's exposure to non-compliant micro-chips in vehicles, elevators, medical equipment and other devices ($25,000) and various smaller projects ($351,000). In January of 1999, the Board of Supervisors appropriated funds to create the Year 2000 Project Management Office team to provide technical assistance, monitoring, testing and implementation of Year 2000 compliance requirements ($979,000). In April 1999 the Board of Supervisors appropriated funds for the replacement of the Department of Building Inspection's network equipment, upgrading of software and hardware, and integration of the Department's Permit Tracking and Issuance System ($1,490,724) and to the Department of City Planning for new Year 2000 compliant equipment, software and upgrades ($491,530). In May 1999 the Board of Supervisors appropriated funds to the Public Utilities Commission for the establishment and implementation of a Year 2000 embedded system compliance program ($1,020,700).

Finally, the Board of Supervisors appropriated a total of $3,928,469 in the FY 1999-2000 budget including $2,250,000 to support the subject Year 2000 Project Management Office (placing the subject $1,125,000 on reserve) and $1,678,469 in Year 2000 related equipment replacement for the Treasurer/Tax Collector and the Department of Public Health's medical records systems. Therefore, to date, a total of $8,910,423 has been appropriated for Year 2000 compliance expenditures.

The table below summarizes total Year 2000 compliance expenditures to date:

Fiscal Year 1997-1998 and 1998-1999 Expenditures	$1,000,000
January 1999 Supplemental Appropriation (File 98-2130)	979,000
April 1999 Supplemental Appropriation (File 99-0667)	1,490,724
April 1999 Supplemental Appropriation (File 99-0668)	491,530
May 1999 Supplemental Appropriation (File 99-0870)	1,020,700
Fiscal Year 1999-2000 Budget Appropriation	3,928,469*
Total to date	**$8,910,423**

*Includes this requested release of reserved funds of $1,125,000.

Recommendation: COIT has expended and encumbered a total of $650,401 of this requested release of reserved funds of $1,125,000 without first obtaining Board of Supervisors approval for the funds to be released. Therefore the Budget Analyst considers approval of the requested release of reserved funds to be a policy matter for the Board of Supervisors.

Year 2000 Project Expenditures

11-19-99

		Spent to Date	Encumbered	Committed	Project Total
Project Management Office:	Salaries	457,683	0	335,077	792,760
	City Attorney	18,057	0	22,868	40,925
	Operating Costs	73,017	154,683	0	227,700
	Subtotal	*548,758*	*154,683*	*357,945*	*1,061,385*
Embedded Systems:	DPH	31,974	0	0	31,974
	DTIS	120,574	35,807	33,619	190,000
	FIR	215,115	20,477	10,132	245,724
	POL	81,349	206,451	0	287,800
	SHF	92,543	1,971	486	95,000
	ECD	18,724	16,206	15,070	50,000
	Subtotal	*560,279*	*280,912*	*59,307*	*900,498*
Information Technology:	DTIS	14,541	146,022	29,234	189,797
	FIR	0	18,320	0	18,320
	POL	229	9,771	0	10,000
	SHF	11,603	8,397	0	20,000
	Subtotal	*26,373*	*182,510*	*29,234*	*238,117*
Contingency Planning:		9,843	12,044	28,113	50,000
	Subtotal	*9,843*	*12,044*	*28,113*	*50,000*
TOTAL:		1,145,253	630,149	474,599	2,250,000

Year 2000 Project
Project Management Office Expenditures

updated 11/19/99

subsidies as of 11/12/99

	Hourly Wage	Year to Date		Encumbered		Projected Commitment		Total	
		Hours	Cost	Hours	Cost	Hours	Cost	Hours	Cost
Staff:									
Director	$65	760	49,035	0	0	840	54,197	1,600	103,232
Communications Manager	$68	523	35,381	0	0	850	57,536	1,373	92,917
Contingency Manager	$54	432	23,488	0	0	480	26,097	912	49,585
Contract Staff	$74	4,727	349,779	0	0	2,665	197,247	7,392	547,026
Subtotal			*457,683*		*0*		*335,077*		*792,760*
City Attorney Services:									
City Attorney	$125	145	18,057	0	0	183	22,868	327	40,925
Subtotal			*18,057*		*0*		*22,868*		*40,925*
Operating Costs:									
Community outreach campaign			0		100,000		0		100,000
Telecom			2,373		0		0		2,373
Hardware/software			50,455		0		0		50,455
Miscellaneous			20,189		54,683		0		74,872
Subtotal			*73,017*		*154,683*		*0*		*227,700*
TOTAL:			548,758		154,683		357,945		1,061,385

Year 2000 Project Expenditures

	ENCUMBERED			COMMITTED		
	Hours	Cost	Function	Hours	Cost	Function
Embedded Systems						
DPH	n/a	$0	n/a	0.00	$0	
DTIS	163 @ $219 Misc. $110	$35,807	800 & 400 mghz radios, Voice Communications, METS System	153 @ $219	$33,619	800 & 400 Mghz radios Voice Communications Rollover
FIR	93 @ $219 Misc. $110	$20,477	Fire Vehicles, Medical, Fuel Systems, Facilities	46 @ $219	$10,132	Fire Vehicles, Medical, Fuel Systems, Facilities Rollover
POL	486 @ $219 Vendor = $100,000 Misc. $17	$206,451	Computer Aided Dispatch Testing		$0	
SHF	9 @ $219	$1,971	Facilities	2 @ $219	$486	Facilities
ECD	74 @ $219	$16,206	New 800 Mghz radios	68 @ $219	$15,070	New 800 Mghz radios
subtotal:		*$280,912*			*$59,307*	
Information Technology						
DTIS	27 @ $219 Misc. $109 $140,000 in remediation*	$146,022	Wide Area Network, Bios patches and upgrades, E-mail upgrades	133 @ $219	$29,234	Wide Area Network, Bios patches and upgrades, E-mail upgrades
FIR	83.5 @ $219 Misc. $33.50	$18,320	Fire Computer Aided Dispatch Testing		$0	
POL	44.5 @ $219 Misc $25.50	$9,771	Servers, Interfaces, Hardware		$0	
SHF	38 @ $219 Misc. $75 10,000 in remediation**	$8,397	Network, servers		$0	
subtotal:		*$182,510*			*$29,234*	
Contingency Planning						
	59 @ $204 Misc. $8	$12,044	Tabletop Exercises	137 @ 204	$28,113	Tabletop Exercises
subtotal:		*$12,044*			*$28,113*	
Project Management Office		$154,683			$357,945	
	TOTAL:	**$630,149**			**$474,599**	

Note: Contracted work performed by CIBER Network Services, Inc.

11/23/99

Item 12 – 99-2121

Department: Department of Human Services (DHS)

Item: Resolution authorizing the Executive Director of the Department of Human Services to execute the necessary agreements for San Francisco's participation in a project, involving a consortium of eighteen (18) Counties, to develop and implement a computer system to administer public benefit programs, such as CalWORKs and Food Stamps, in accordance with State's Welfare and Institutions Code.

Description: Currently, Sections 10823 and 10824 of the State's Welfare and Institutions Code require Counties to (a) use computer systems to administer public benefit programs such as CalWORKs and Food Stamps and (b) form consortia to develop and implement such computer systems. San Francisco is presently a member of the Welfare Client Data System (WCDS), a consortium of eighteen (18) California counties, which has shared maintenance of the welfare computer system known as WCDS since approximately 1969.

Attachment I, provided by the Department of Human Services (DHS), contains a list of the eighteen (18) Counties in the WCDS Consortium.

Ms. Sally Kipper of the DHS reports that the existing Welfare Client Data System currently administers nine (9) public benefit programs to over 2 million welfare clients annually which represents approximately 40 percent of the client caseload in the State each year.

According to Ms. Kipper, in order to sustain its current annual caseload of 2 million clients and meet new Federal Welfare Reform case management, reporting and evaluation requirements, the Welfare Client Data System, a consortium of 18 Counties, must replace the computer system with a new system known as the CalWORKs Information Network (CalWIN) system. Ms. Kipper states that the existing WCDS computer system is not equipped to provide case management, reporting and evaluation tools as required by new Federal Welfare

Reform laws. According to Ms. Kipper, the Welfare Client Data System cannot be practically modified to provide such tools.

Attachment II, provided by Ms. Kipper, compares the functions of the existing WCDS computer system with those of the new proposed CalWIN computer system.

Attachment III, provided by Ms. Kipper, contains the budget details, including all funding sources, for the total project costs of $471,581,024 over the nine-year period from FY 1999-2000 through FY 2007-2008.

Attachment IV, provided by Ms. Kipper, shows a list of each of the eighteen (18) Counties, including their share of the total project costs of $471,581,024. As shown in Attachment IV, San Francisco's share of the costs for the CalWIN project is $29,419,528, including $2,997,861 in General Fund costs.

Attachment V, provided by Ms. Kipper, contains San Francisco's payment schedule, totaling $29,419,528, over the nine-year period of the CalWIN project. Attachment V shows that San Francisco's costs of $29,419,528 for the CalWIN project is $2,997,861 from the General Fund with the balance of $26,421,667 to be funded from $11,127,299 in State grants and $15,294,368 in Federal grants.

Attachment VI, provided by Ms. Kipper, shows that San Francisco's General Fund costs of $2,997,861 for the CalWIN project include (a) one-time costs of $1,116,935 to develop a computer program application for the General Assistance (GA) public benefit program and $150,850 to develop similar applications for the other public benefit programs and (b) on-going costs, totaling $1,730,076, to maintain and operate the CalWORKs Information Network over the nine-year period from FY 1999-2000 through FY 2007-2008.

Attachment VII, provided by Ms. Kipper, compares San Francisco's share of FY 1999-2000 General Fund costs to maintain and operate the existing WCDS computer system with an estimate of on-going annual General Fund costs to operate and maintain the new proposed CalWIN

computer system. As shown in Attachment VII, with implementation of the CalWIN computer system, San Francisco's share of on-going annual General Fund costs to maintain and operate the CalWORKs Information Network would decrease by $418,136 from $842,326 to $424,190. Ms. Kipper reports that this $418,136 decrease in on-going annual General Fund costs is primarily attributable to the fact that Mainframe Costs associated with the existing WCDS computer system would no longer be required under the new proposed CalWIN system. In Attachment VII, Ms. Kipper explains that "The new system will be maintained on a central server by the contractor, and the costs will be shared by the 18 Counties. The current system requires each of the Counties to separately customize, install and maintain the software on their own mainframes."

According to Ms. Kipper, in December of 1997, the WCDS Consortium issued a Request for Proposals (RFP) to develop and implement the new proposed CalWORKs Information Network computer system. As shown in Attachment III, of the total project costs of $471,581,024, the WCDS Consortium intends to award a contract in the amount of $257,033,211 to the EDS Corporation, a private firm, and their partners, Deliotte & Touche Consulting and Unisys Corporation, for the development and implementation of the CalWIN computer system.

Attachment VIII, provided by Ms. Kipper, summarizes the RFP process used by the WCDS Consortium to identify a contractor for the CalWIN project and explains why the EDS Corporation was the only firm that submitted a proposal for the proposed project.

Ms. Kipper advises that if San Francisco does not maintain its participation in the Welfare Client Data System Consortium, the existing Welfare Client Data System will not be available to San Francisco once it is replaced by the new proposed CalWORKs Information Network and as such, San Francisco would risk the loss of State and Federal funding for public benefit programs.

Approval of the proposed resolution would (a) authorize the Department of Human Services to continue San

Francisco's membership in the Welfare Client Data System Consortium and (b) authorize the Executive Director of the Department of Human Services to execute the necessary agreements for San Francisco's participation in the proposed project, including a system contract of $257,033,211, to be paid for by all 18 Counties in the Welfare Client Data System Consortium, with the EDS Corporation for the development and implementation of the new proposed CalWIN computer system and any other agreements for the maintenance and operation of the CalWORKs Information Network.

Comments:

1. The title of the proposed resolution states that the Executive Director of the Department of Human Services would be authorized to enter into an agreement with a consortium of 18 Counties to develop and implement a computer system to administer public benefit programs. However, Ms. Kipper states that the title of the proposed resolution should state that the Executive Director would be authorized to execute the necessary agreements for San Francisco's participation in the proposed project, involving a consortium of 18 Counties, to develop and implement a computer system to administer public benefit programs.

2. The proposed resolution contains a provision that would authorize the Department of Human Services to continue San Francisco's membership in the Welfare Client Data System Consortium. However, this provision is not included in the title of the proposed resolution. Mr. Lakey states that such provision was inadvertently omitted from the title.

3. Attachment VI shows that in FY 1999-2000, San Francisco's share of General Fund costs for the proposed project totals $75,511 which is included in DHS's FY 1999-2000 budget, according to Ms. Kipper.

4. In the Notes Section of Attachment VII, Ms. Kipper explains that currently the WCDS Consortium maintains an existing contract, totaling $5,656,800 in FY 1999-2000, with the EDS Corporation for the EDS Corporation to operate and maintain the existing WCDS computer system. This contract between the 18 Counties in the

Welfare Client Data System Consortium and the EDS Corporation was previously approved by the Board of Supervisors, according to Ms. Kipper. Ms. Kipper states that in FY 1999-2000, San Francisco's share of costs for this contract is $406,698, including $142,344 from the General Fund with the balance of $264,354 to be funded from $101,675 in State grants and $162,679 in Federal grants. In Attachment VII, Ms. Kipper states that "The consortium will have to maintain this contract (and the County will have to maintain DTIS support) until all counties in the consortium have migrated to the new system in the 2003/2004 fiscal year."

5. The Committee on Information Technology (COIT) approved the CalWIN project in May of 1999.

Recommendations:

1. Amend the title of the proposed resolution to state that (a) the Executive Director of the Department of Human Services would be authorized to execute the necessary agreements for San Francisco's participation in the proposed project, involving a consortium of 18 Counties, to develop and implement a computer system to administer public benefit programs and (b) amend the resolution to include a provision that would authorize the Department of Human Services to continue San Francisco's membership in the Welfare Client Data System Consortium.

2. Approve the proposed resolution as amended.

Welfare Client Data System Consortium

Counties

1. Alameda
2. Contra Costa
3. Fresno
4. Orange
5. Placer
6. Sacramento
7. San Diego
8. San Francisco
9. San Luis Obispo
10. San Mateo
11. Santa Barbara
12. Santa Clara
13. Santa Cruz
14. Solano
15. Sonoma
16. Tulare
17. Ventura
18. Yolo

Comparison of Current and Proposed Systems
11/99

Issue	Current System WCDS	Proposed System CalWIN
Ease if Use	Written in Cobal II. Code driven: workers must memorize lists of code options to fill in many cells.	Windows environment. Menu-driven, logical entry options, on-line help screens.
System maintenance	30-yr old system, not capable of significant modification. The code is maintained and upgraded by the vendor and shipped to the member counties. Each of them customizes it for their individual needs (a cumbersome redundant process) and runs it on their own mainframes. Legislative and state policy changes require upgrades several times per year.	Vendor will maintain code centrally and run it on a central server. Will eliminate most, if not all, of the need for county maintenance.
Workstations	Dumb terminals connected to the mainframe. Workers cannot use them for purposes other than WCDS.	PCs hooked through county servers to a central server. Access to word processing, spreadsheets, e-mail, internet (for community resources for clients).
Eligibility determination	Workers receive 8-12 weeks of induction upon assuming job to learn complex eligibility rules related to a single program. They rely on their training and on voluminous manuals in making eligibility determinations. If they move to another aide program, they must be retrained in the rules of that program.	Eligibility rules are embedded in the software and updated centrally when they change. Determination of eligibility of *all* programs done automatically based on basic client information. One worker can assist a client with any type of assistance he/she might be eligibility for.
Case budgeting	Workers create client budgets based on their individual financial history. They calculate the budget manually, and enter it in WCDS. From that the system calculated with amount of assistance. Budgeting rules differ from program to program. Mistakes in budgeting are a frequent cause of worker error.	Budgeting is fully automated and calculated based on input of basic raw data regarding income, rent, utilities, etc. Little or no opportunity for worker error.
Case management and client tracking	Does not include these functions.	Will provide tools for these functions.
Data	Collects and reports basic demographic information, basic client aid payment history. Cannot provide data required for state/federal reporting under welfare reform. Does not collect data needed for policy decisions. Little ability to sort data to create reports. Little ability to add data fields.	System is a relational database. In addition to client data currently collected, it is designed to collect all data required for state/federal reporting and to address management and policy needs identified by the counties. It has flexibility to adapt to changing data needs.

CalWIN Cost Analysis

Attachment III
Page 1 of 2

EDS CONTRACT COSTS			
One-Time Costs			
CalWIN Deliverable Summary (Development/Implementation Costs)	$133,041,188		
Task 1 - Project Planning and Reporting	$14,662,404		
Task 2 - System Development	$27,711,299		
Task 3 - Interim Maintenance	n/a		
Task 4 - Telecommunications Specification	$1,952,026		
Task 5 - Acceptance Test	$6,219,455		
Task 6 - Pilot Test	$6,381,971		
Task 7 - Consortium-wide Implementation (chng mng/install/certify)	$24,182,631		
Task 8 - Training (planning, delivery, materials, sites)	$21,461,285		
Task 9 - Conversion (software development/ data convert)	$6,711,364		
CalWIN Project Facility	$22,357,753		
Digital Record Retention	$1,400,000		
Local Office Hardware/Software	$3,795,755		
TOTAL EDS ONE-TIME COSTS		$136,836,943	
Ongoing costs			
Local Office Hardware/Software Maintenance	$1,097,344		
Facility Management/Operations (per case)	$79,644,117		
Facility Management/Operations (per item)	$3,298,923		
WAN	$8,143,184		
Application Software Maintenance	$28,012,700		
TOTAL EDS ONGOING COSTS		$120,196,268	
TOTAL EDS COSTS			$257,033,211
OTHER VENDOR COSTS (FUTURE YEARS)			
One-time costs			
QA VENDOR COSTS	$9,991,769		
INDEPENDENT VERIFICATION & VALIDATION (IV&V) VENDOR COSTS	$966,800		
HARDWARE/SOFTWARE PURCHASE COSTS	$54,744,318		
TOTAL ONE-TIME COSTS FOR OTHER VENDORS		$65,704,887	
Ongoing costs			
HARDWARE/SOFTWARE MAINTENANCE COSTS	$25,733,138		
TOTAL ONGOING COSTS FOR OTHER VENDORS		$25,733,138	
TOTAL COSTS FOR OTHER VENDORS			$91,438,025
CONSORTIUM COSTS			
One-time costs			
Project Team Staffing			
During Development (51 months)	$9,871,711		
County Support Staff for JAD sessions, implementation planning, testing	$15,752,469		
Counties - All Other	$17,578,316		
Travel	$6,718,210		
Site Preparation	$6,451,720		
Conversion	$1,775,499		
Training	$2,632,887		
TOTAL CONSORTIUM One-time OPERATING COSTS		$43,202,496	
Ongoing costs			
Project Team Staffing			
During Ongoing maintenance (includes County Help Desk)	$54,637,353		
Consortium and County - All Other			
LAN	$25,269,939		
TOTAL ONGOING CONSORTIUM COSTS		$79,907,292	
TOTAL CONSORTIUM COSTS			$123,109,788
JECT TOTAL (for 51 month development and 4 years maintenance)			$471,581,024

11/15/99

CalWIN Project
Consortium-wide costs
by County-State-Federal Share

County share - 18 counties (See Note)	$ 35,634,210	7.56%
State Share	$ 183,097,662	38.83%
Federal Share	$ 252,849,152	53.62%
Total Consortium-wide Project Cost	$ 471,581,024	100.00%

Note: The Consortiumwide county share (7.56%) is less than San Francisco County's share (10%) because San Francisco has a larger GA caseload than other counties. The portion of costs related to the GA program is 100% county-funded.

COUNTY SHARE OF CALWIN COST DISTRIBUTED BY COUNTY
Entire CalWIN Project

COUNTY	Total Project Costs	Total County Share
Alameda	$39,387,096	$3,107,655
Contra Costa	$20,774,536	$1,707,925
Fresno	$36,200,234	$2,681,060
Orange	$67,187,019	$4,580,014
Placer	$5,511,272	$534,145
Sacramento	$46,716,314	$3,655,364
San Diego	$64,492,878	$4,519,358
San Francisco	$29,419,528	$2,997,861
San Luis Obispo	$7,524,831	$599,549
San Mateo	$11,434,030	$1,032,570
Santa Barbara	$12,632,698	$1,071,526
Santa Clara	$45,335,153	$2,772,912
Santa Cruz	$7,374,598	$587,030
Solano	$12,754,180	$1,085,136
Sonoma	$10,714,547	$960,097
Tulare	$21,473,150	$1,713,522
Ventura	$18,749,454	$1,419,026
Yolo	$7,208,526	$599,463
Unallocated	$6,690,980	
TOTAL	$471,581,024	$35,634,213

State Fiscal Year	Total Project Costs	San Francisco County Total Costs	Total County Costs	State	Fed
99/00	$13,792,734	$664,560	$75,511	$279,023	$310,026
00/01	$35,406,959	$1,686,873	$180,186	$709,809	$796,878
01/02	$59,183,296	$2,242,929	$230,973	$941,420	$1,070,536
02/03	$103,336,326	$8,076,393	$579,395	$3,086,999	$4,409,999
03/04	$101,587,170	$4,770,916	$220,201	$1,873,824	$2,676,891
*04/05	$43,397,398	$4,200,675	$553,860	$1,510,565	$2,136,242
05/06	$41,331,051	$2,798,112	$416,537	$980,649	$1,400,926
06/07	$42,090,770	$2,849,545	$424,190	$998,676	$1,426,679
07/08	$31,455,320	$2,129,525	$317,008	$746,331	$1,066,186
Total	$471,581,024	$29,419,528	$2,997,861	$11,127,299	$15,294,368
		100%	10%	38%	52%

Note: Amounts shown are based on the current County's allocations for each fiscal year.
*Under GA column, GA share of the 15% Vendor Withhold to be paid after CalWIN acceptance (full implementation plus 60 consecutive days of performance to specifications) and correction of cosmetic errors.
*Under 5% of development column, the 5% of the 15% of the Vendor Withhold that is related to application development

San Francisco County Costs

State Fiscal Year	GA	5% of development	Software Maintenance	Maintenance and Operations	Total County Costs
99/00	$53,487	$22,024	$0	$0	$75,511
00/01	$129,898	$48,194	$2,094	$0	$180,186
01/02	$161,933	$62,605	$5,025	$1,410	$230,973
02/03	$546,555	$0	$5,025	$27,815	$579,395
03/04	$126,583	$0	$6,281	$87,337	$220,201
*04/05	$98,478	$18,027	$50,695	$386,659	$553,860
05/06	$0	$0	$50,695	$365,842	$416,537
06/07	$0	$0	$50,695	$373,495	$424,190
07/08	$0	$0	$38,022	$278,986	$317,008
Total	$1,116,935	$150,850	$208,532	$1,521,544	$2,997,861

Note: Amounts shown are based on the current County's allocations for each fiscal year.

*Under GA column, GA share of the 15% Vendor Withhold to be paid after CalWIN acceptance (full implementation plus 60 consecutive days of performance to specifications) and correction of cosmetic errors.

*Under 5% of development column, the 5% of the 15% of the Vendor Withhold that is related to application development

Cost Comparison - Current and Proposed Systems

Issue	Current System - WCDS Item	Cost	Proposed system - CalWIN Item	Cost
Maintenance and Operation	EDS Contract (1)	406,698	EDS Contract	2,849,545
DTIS (2)	Mainframe Costs	1,365,333	No Mainframe Costs	
	Staff (5 FTEs)	522,215		
	Mainframe Connections	112,400		
Total		2,406,646		2,849,545
State Share	25%	601,662	36%	1,018,649
Federal Share	40%	962,658	49%	1,406,706
County GF Share	35%	842,326	15%	424,190

NOTES

(1) The consortium-wide cost for 1999/2000 is $5,656,800. San Francisco's allocation of those costs is $406,698. The consortium will have to maintain this contract (and the County will have to maintain DTIS support) until all counties in the consortium have migrated to the new system in the 2003/2004 fiscal year.

(2) The new system will be maintained on a central server by the contractor, and the cost will be shared by the 18 counties. The current system requires each of the counties to separately customize, install, and maintain the software on their own mainframes. DTIS has no role in supporting a similarly designed statewide centralized system for DHS's Child Welfare Services program.

CalWIN Procurement Process Summary

The following details the events and efforts that led to awarding the CalWIN contract to the EDS team.

- The CalWIN Project was listed in the Federal Registry, a publication used to notify the vender community of upcoming government procurements.
- The State Department of General Services (SDGS) sent notices of RFP availability to 350 potential vendors. Forty-two vendors responded with letters of interest. RFPs were sent to each of them, with a window of six months to develop a proposal.
- The consortium's business requirements and technical description of the current system were available to all interested parties at that time.
- A bidder's conference was held for all interested vendors. It was attended by 40 - 50 people representing 20 - 25 companies.
- Because of wide spread publicity about the California SAWS projects, vendors were very familiar with intended timeframes well in advance of release of the RFP, and were positioning themselves to compete. Two teams had begun to develop proposals in anticipation of release of the RFP. One was comprised of EDS, Deloitte & Touche, and Unisys. The other was IBM and Anderson Consulting.
- EDS considered D&T and Unisys critical partners because of their experience developing the Leader project (Los Angeles County's SAWS solution). EDS itself has extensive experience working with a large consortium of counties.
- Because the WCDS Consortium received only one bid, the proposal was analyzed for acceptability and was determined to meet the required standard. The Consortium then sought, and was granted, State approval to proceed with the single source procurement and began final negotiations with EDS.

IBM ultimately decided not to submit a bid for business reasons, based on profitability. During negotiations prior to the submission deadline, the IBM team sought a time-and-materials contract as opposed to the fixed price contract required by the RFP.

Additionally, IBM expressed hesitation to contract with a consortium of 18 separate counties. They may have felt that so many voices determining the project's business requirements would create too great a risk for them to manage.

In addition, because IBM missed the opportunity to partner with D&T, they were not able to capitalize on D&T's experience with the Leader project. That may also have caused IBM to consider the project a bigger risk than they were willing to take.

There are reports that IBM has entered into a partnership with D&T to bid on the SAWS project for Consortium Four which has aligned themselves as one legal entity, making it more appealing to IBM.

Item 13 – File 99-2104

Department:	Sheriff
Item:	Resolution authorizing the Sheriff's Department to accept a grant in the amount of $5,000,000 from the State Board of Corrections, and to expend $910,148 of the $5,000,000 grant in Fiscal Year 1999-2000 for the Forensic Support System pilot demonstration project.
Grant Amount:	$5,000,000
Grant Period:	July 1, 1999 through June 30, 2003 (four years)
Source of Funds:	California State Board of Corrections
Required Hard Match:	$987,810 (four years)
In-kind Match:	$1,311,344 (four years)
Indirect Costs:	$100,000 (four years)

Description:

The California State Board of Corrections has awarded a $5,000,000 grant to the City to provide services for mentally ill criminal justice offenders. The Sheriff's Department proposes to expend the State grant on the four-year Forensic Support System (FSS) pilot demonstration project. The FSS project would provide a full range of support services to mentally ill offenders, including a psychiatric liaison to the court system for FSS clients, and a full range of multi-disciplinary community-based services and supports, in an effort to reduce the rate of incarceration for such offenders.

The FSS project would target mentally ill offenders who are likely to be committed to State prison. Several City departments, including the Sheriff's Department, the Mayor's Criminal Justice Council (MCJC), the Department of Public Health (DPH), the Superior Court, the Public Defender and the District Attorney, would participate in the program. The Sheriff's Department would provide program direction, fiscal management, and policy direction. MCJC would work with all involved

agencies to ensure support for program policies. DPH, through a contract with Haight-Ashbury Free Clinic, a nonprofit agency, would provide screening and assessment of potential program participants, make referrals to community resources, and provide pre-release planning for FSS participants leaving jail, through Jail Psychiatric Services, a program of Haight-Ashbury Free Clinic. The Superior Court, the Public Defender and the District Attorney would work with the DPH psychiatric liaison to determine which form of sanctions or incarceration would be appropriate for the mentally ill offender.

The four-year pilot project would also include a forensic case management team, which would be part of the existing City Wide Case Management, a joint program of the University of California at San Francisco and San Francisco General Hospital. The case management team would coordinate and deliver a broad range of community-based treatment services for the FSS participants.

The goal of the FSS pilot demonstration project is to reduce jail days, arrests, and criminal justice costs by 35 percent for FSS participants. The FSS pilot demonstration project also hopes to reduce the number of psychiatric hospitalizations for the participants.

Approval of the proposed resolution would authorize the Sheriff's Department to accept a $5,000,000 grant from the State Board of Corrections, and to expend $910,148 of the subject grant funds in Fiscal Year 1999-2000 for services to mentally ill criminal justice offenders.

Budget:

The four-year budget for the proposed project would total $7,299,154 ($5,000,000 in grant funds, plus $1,311,344 in in-kind matching funds, plus $987,810 in hard matching funds). The summary budget for the first year of the program is as follows:

Salaries and Benefits	$ 180,707
Contractual Services	1,039,803
Administrative Overhead	100,658
Total*	$1,321,168

* Of the total amount of $1,321,168 budgeted for the first year of the four-year grant, $910,148 would be expended from the subject grant funds. Of the remaining amount of $411,020 ($1,321,168, less $910,148), $142,635 would be City matching funds and $268,385 would be in-kind services.

Attachment I, provided by the Sheriff's Department, contains further budget details for the first year of the grant and for the four-year total.

Comments:

1. The proposed resolution would authorize the Sheriff's Department to accept $5,000,000 in grant funds, for a period of four years, from the State Board of Corrections, and expend $910,148 of the subject grant funds in the first year of the four-year grant. As stated in the resolution, the request for authorization to expend funds in the subsequent three years of the four-year state grant would be included in the Annual Appropriation Ordinance, subject to Board of Supervisors approval.

2. According to Ms. Michelle Ruggels of the Department of Public Health, some services that are provided by the FSS project would generate Medi-Cal funds. For instance, DPH would receive Medi-Cal reimbursements[1] for qualified mental health services provided to FSS participants through service contracts with City Wide Case Management. Such reimbursements would be applied toward $987,510 in required matching funds (see Comment 4).

3. Ms. Mariani states that the City would apply funds budgeted for and expended on existing City positions and programs toward $1,311,344 in required in-kind services for the four-year period, as shown in Attachment I.

4. According to Ms. Mariani, the City would award $4,246,917 of the four-year $5,000,0000 grant, to two nonprofit organizations that have existing contracts with the City (Haight-Ashbury Free Clinic to provide Jail Psychiatric Services, and UCSF to provide City Wide Case Management services and a program evaluation). In addition, City Wide Case Management would receive $987,810 of required matching funds, provided by Medi-

[1] Reimbursements would come from the Federal share of Medi-Cal expenditures.

Cal reimbursements, for a total cost of $5,234,727 ($4,246,917, plus $987,810).

Of the $4,246,917 in grant funds expended on nonprofit organizations for the four-year project, Haight-Ashbury Free Clinic would receive $180,000 for Jail Psychiatric Services[2], and UCSF would receive $3,487,465 for City Wide Case Management[3] and $579,452 for program evaluation.

Attachment II, provided by Ms. Ruggels, shows the amount of funds to be allocated, services to be provided, and the date of the original professional services contracts.

5. As shown in Attachment I, the subject grant funds would fund two new positions. Therefore, the resolution should be amended to designate these new positions as "G" or grant-funded positions, which would terminate when the grant expires.

6. Attachment III, provided by the Sheriff's Department, is the Grant Application Information Form.

7. The Disability Access Checklist is on file with the Clerk of the Board.

Recommendations:

1. Amend the resolution to designate the two new positions created under the subject grant as "G" or grant-funded positions, which would terminate when the grant expires.

2. Approve the proposed resolution, as amended.

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[2] Funds would be expended on Jail Aftercare Services Expansion, which is a program of Jail Psychiatric Services.

[3] Forensic Case Management Team is a program of City Wide Case Management.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

Forensic Support System

Year 1

Cost Category	Line Item	Justification	Notes	BOC	Local Hard Match	Local In-Kind Match	Total
County Staff							
	MIO Director	Sheriff chairs ESC and oversees direction of project	.05 FTE			$ 5,296	$ 5,296
	MIO Fiscal Director	Oversight of all fiscal, contract, and reporting requirements	10FTE			$ 8,030	$ 8,030
	Administrative Analyst	Employed by the Sheriff. Responsible for obtaining and analyzing data needed to assess impact of both the FSS and of other future ESC strategies	1.0 FTE	$ 53,949			$ 53,949
	Intensive Supervision Unit	Addition of Probation Officer for expansion of Intensive Supervision Unit to work with Forensic Support System	1.0 FTE	$ 45,466		$ 45,466	$ 90,932
	ESC Members	Meeting participation by ESC members	Estimated at 25 hours per year @ $60 per hour X 20 members and support staff			$ 22,500	$ 22,500
TOTAL COUNTY STAFF				$ 99,415	$ -	$ 81,292	$ 100,707
							$ -
	Indirect Costs		Estimated in-kind of 2% covers cost in-kind based upon 2% indirect	$ 25,000		$ 25,000	$ 50,000
	DPH	For costs to administer contracts		$ 25,329		$ 25,329	$ 50,658
	Professional Services	Audit required in last year of grant					
TOTAL OVERHEAD				$ 50,329	$ -	$ 50,329	$ 100,658
							$ -
							$ -
Community Based Organizations							$ -
	Forensic ACT Model Case Mgt. Team (UCSF)	Case management component of the FSS		$ 570,541	$ 142,635		$ 713,176
	Evaluation (UCSF)	Provide process and outcome data employing a randomized experimental design		$ 144,863			$ 144,863
	Jail Psychiatric Services	Psychiatric services provided to both experimental and control groups	Based on inmates receiving assessment and services			$ 136,764	$ 136,764
	Jail Aftercare Services Expansion	Expansion of existing Psychiatric Liaison Service to the Court devoted exclusively to FSS caseload. Provide consultation to District Attorney, Public Defender, Judge, Sheriff, and Probation Dept.		$ 45,000			$ 45,000
TOTAL CONTRACTS				$ 760,404	$ 142,635	$ 136,764	$ 1,039,803
							$ -
Totals				$ 910,140	$ 142,635	$ 268,305	$ 1,321,168

Forensic Support System

Four Year Total

Cost Category	Line Item	Justification	Notes	BOC	Local Hard Match	Local In-Kind Match	Total
County Staff							
	MIO Director	Sheriff chairs ESC and oversees direction of project	.05 FTE			$ 27,775	$ 27,775
	MIO Fiscal Director	Oversight of all fiscal, contract, and reporting requirements	.10FTE			$ 42,120	$ 42,120
	Administrative Analyst	Employed by the Sheriff. Responsible for obtaining and analyzing data needed to assess impact of both the FSS and of other future ESC strategies.	1.0 FTE	$ 202,953			$ 202,953
	Intensive Supervision Unit	Addition of Probation Officer for expansion of Intensive Supervision Unit to work with Forensic Support System	1.0 FTE	$ 238,463		$ 238,462	$ 476,925
	ESC Members	Meeting participation by ESC members.	Estimated at 25 hours per year @ $60 per hour X 20 members and support staff.			$ 112,500	$ 112,500
TOTAL COUNTY STAFF				$ 521,416	$ -	$ 420,857	$ 912,273
							$ -
	Indirect Costs		Estimated in-kind of 2% covers cost in-kind based upon 2% indirect.	$ 100,000		$ 100,000	$ 200,000
	DPH	For costs to administer contracts		$ 106,667		$ 106,667	$ 213,334
	Professional Services	Audit required in last year of grant		$ 25,000			$ 25,000
TOTAL OVERHEAD				231,667	-	206,667	$ 438,334
							$ -
							$ -
Community Based Organizations							
	Forensic ACT Model Case Mgt. Team (UCSF)	Case management component of the FSS.		$ 3,487,465	$ 987,810		$ 4,475,275
	Evaluation (UCSF)	Provide process and outcome data employing a randomized experimental design.		$ 579,452			$ 579,452
	Jail Psychiatric Services	Psychiatric services provided to both experimental and control groups.	Based on inmates receiving assessment and services.			$ 683,820	$ 683,020
	Jail Aftercare Services Expansion	Expansion of existing Psychiatric Liaison Service to the Court devoted exclusively to FSS caseload. Provide consultation to District Attorney, Public Defender, Judge, Sheriff, and Probation Dept.		$ 180,000			$ 180,000
TOTAL CONTRACTS				$ 4,246,917	$ 987,810	$ 683,820	$ 5,918,547
							$ -
Totals				$ 5,000,000	$ 987,810	$ 1,311,344	$ 7,299,154

Attachment II

City and County of San Francisco
Department of Public Health
COMMUNITY MENTAL HEALTH SERVICES

Michelle Ruggels, MPA
Budget Manager
1380 Howard Street, 5th Floor
San Francisco, CA 94103
415.255.3404 FAX 415.255.3567

M•E•M•O•R•A•N•D•U•M

DATE: November 22, 1999

TO: Severin Campbell, Budget Analyst Office

FROM: Michelle Ruggels, Budget Manager MR

SUBJECT: Explanation of Contractual Expenditures for Forensic Support System Pilot Demonstration Program

Of the total cost of $7,299,154 for the Forensic Support System pilot demonstration project, an amount of $5,918,547 will be allocated for contractual services, including (1) $4,246,917 in grant funds, (2) $987,810 in Federal Short Doyle MediCal (Local Hard Match funds), and (3) $683,820 in Local In-Kind Match funds. These funds will be allocated as follows: (1) $5,054,727 to UC San Francisco Clinical Practice Group for (a) an evaluation of the Pilot Demonstration Program ($579,452 in grant funds) and (b) Citywide Case Management program ($3,487,465 in grant funds and $987,810 in Federal MediCal Hard Match funds), and (2) $863,820 in grant funds to Haight Ashbury Free MediCal Clinic to be used by its (a) Jail Aftercare Services Program ($180,000 in grant funds), and (b) Jail Psychiatric Services Program ($683,820 in In-Kind Match funds).

The Department of Public Health (DPH) awarded a contract to the UC San Francisco Clinical Practice Group (UC), Citywide Case Management program, (CWCM), in 1989 as a result of a Request for Proposal Process. For the subject pilot program, CWCM's Forensic Case Management Team will provide a full array of treatment and supportive services to medically indigent offenders.

The DPH awarded a contract to the Haight Ashbury Free Medical Clinic (HAFMC), Jail Psychiatric Services program in 1990 as a result of an Request for Proposal process. The HAFMC is a non-profit organization. For the subject pilot program, Jail Psychiatric Services, (JPS) a program within HAFMC, will provide existing personnel to screen and assess all prospective program participants, provide medication management, individual and group therapy, and ongoing monitoring of inmates while they are incarcerated. Jail After Care Services, a component of JPS will provide pre-release planning for program participants, including obtaining benefits and housing.

File Number: _____

Grant Application Information Form

A document required to accompany a proposed resolution
Authorizing a Department to Accept & Expend Grant Funds

To: The Board of Supervisors
Attn. Clerk of the Board

The following describes the grant referred to in the accompanying resolution:

1. Department: Sheriff's Department

2. Contact Person: Jean Mariani Telephone: (415) 554-4316

3. Project Title: Mentally Ill Offender Crime Reduction Grant: Forensic Support System

4. Grant Source Agency: State Board of Corrections

5. Type of Funds: __ Federal __ Federal-State (Pass-Through) X State __ Local __ Private

6. Proposed (New / Continuation) Grant Project Summary:

Provide a comprehensive support system for mentally ill offenders (MIOs) who are likely to be committed to state prison. The Forensic Support System (FSS) will have a static capacity of 100 mentally ill offenders, including 25 MIOs on state parole and 75 jail inmates who meet certain criteria. A full-time psychiatric liaison position will provide clinical consultation regarding FSS participants, working with court, public defender and district attorney personnel. A full-time adult probation officer will provide intensive supervision for FSS participants, as appropriate. The FSS Forensic Case Management Team will coordinate a broad range of community-based services, available 24 hours per day. The grant includes funding for evaluation of the pilot program to determine whether the program achieves the following outcomes: 35% fewer jail days, 35% fewer arrests, 35% fewer criminal justice costs. Funding is also provided for one administrative analyst position in the Sheriff's Department to assist with day-to-day coordination of the project, including staffing the Executive Steering Committee (required by SB 1485), extensive data collection and analysis, and financial and program reporting.

7. Amount of Grant Funding Applied for: $5,000,000

8. Maximum Funding Amount Available: $5,000,000

9. Required Matching Funds? Yes: _X_ No: ____ / Cash or In-kind? __Both_____

If yes, list dollar amount and identify source of Matching Funds in Department Budget:

In-kind match of $627,524 includes equivalent of one Adult Probation Officer and portions of the salaries of the Sheriff, Budget Manager, and members of the MIO Executive Steering Committee as well as administrative and program support from Sheriff, Mental Health, and other City departments. Additional in-kind match of $683,820 provided by Jail Psychiatric Services for assessment and clinical services provided to inmates in the jails. Projected hard match of $987,810 of new Medi-Cal funds generated through services to clients in demonstration project.

10. Number of new positions created and funded: _One Administrative Analyst, Sheriff's Dept; One Probation Officer, Adult Probation Department.

11. If new positions are created, explain the disposition of employees once the grant ends?

There are three possible dispositions: State will extend grant funding, continuing program and need for positions; City will replace lost grant funds with City funds; if program is not continued, employees may be laid off.

12. Are indirect costs eligible costs for this grant? Yes: _X_ No: _____

If yes, please identify the amount of $ in indirect costs? _$100,000_____

13. Amount to be spent on contractual services: _$4,246,917 + $987,810 of Medi-Cal funds

14. a.) Will contractual services be put out to bid? _No; added to existing contracts.

b). If so, will contract services help to further the goals of the department's MBE/WBE requirements? _Services provided by non-profit organizations._____

15. Is this likely to be a one-time or ongoing request for contracting out? _For duration of grant.

16. Term of Grant: Start-Date: _July 1, 1999____ End-Date: __June 30, 2003_____

17. Date Department Notified of Available Funds: _Contract received November 2, 1999

18. Grant Application Due Date: ___NA_____

19. Grant Funding Guidelines and Options (selected from RFP, grant announcement or appropriations legislation):

Grantee required to provide at least 25% local match. Any interest earned on grant funds must be used for eligible grant activities or returned to the Board of Corrections. Grantee required to submit final audit to Board of Corrections within 120 calendar days of the contract ending date. Grant requires quarterly financial invoices and semi-annual progress reports. Grant includes a program evaluation survey to determine the effectiveness of the project.

20. Department Head Approval: Michael Hennessey (Name) Sheriff (Title)

(Signature)

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Sue Bierman and Tom Ammiano

Clerk: Mary Red

Wednesday, December 08, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Sue Bierman, Tom Ammiano.

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Meeting Convened

The meeting convened at 10:10 a.m.

992114 **[Reserved Funds, Department of Children, Youth and their Families]**

Hearing to consider release of reserved funds, Department of Children, Youth and their Families, (1999-2000 Budget), in the amount of $250,000 to fund a pilot program to increase access to health insurance for child care providers. (Mayor)

11/15/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Deborah Alvarez, Director, Department of Children, Youth and Their Families.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

991923 **[Expenditure of Community Court Program Fines]**

Supervisor Brown

Ordinance amending Administrative Code by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through community court dispute resolution programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the community courts.

(Adds Section 10.117-124.)

10/12/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

11/17/99, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Kimiko Burton-Cruz, Director, Mayor's Criminal Justice Council; Supervisor Ammiano; Supervisor Yee. Continued to December 1, 1999.

12/1/99, CONTINUED. Continued to December 8, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Supervisor Brown; Kimiko Burton-Cruz, Director, Mayor's Criminal Justice Council; Supervisor Yee; Supervisor Bierman; Supervisor Ammiano.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992075 **[Reserved Funds, Asian Art Museum]**

Hearing to consider release of reserved funds, Asian Art Museum, in the amount of $32,002,738 ($7,605,863 of 1989 Earthquake Safety Bonds Series 1996B and $24,893,770 of Asian Art Relocation Project Bond Series 1996E: Ordinance No. 278-97), to fund the construction contracts and other improvements to upgrade the Old Main Library building. (Asian Arts Commission)

11/3/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ikuko Satoda, Asian Art Museum; Supervisor Bierman; Emily Sano, Director, Asian Art Museum; Supervisor Yee; George Wong, Deputy City Attorney.

APPROVED AND FILED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992141 **[Amendment of leases of real property at 1307 and 317-1317C Evans Avenue for the use of DPH Mental Health Division]**

Resolution authorizing an amendment to leases of real property at 1307 and 1317-1317C Evans Avenue, San Francisco, to increase the size of the premises by 601 square feet and establish a uniform expiration date for the Mental Health Division of the Department of Public Health. (Real Estate Department)

11/17/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tony DeLucchi, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992185 **[Government Funding, Superior Court]**

Ordinance rescinding and reappropriating $23,643, professional services to salaries and fringe benefits and creating one (1) position for the Superior Court for fiscal year 1999-2000. (Controller)

(Companion measure to File 992186.)

11/23/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alan Carlson, Chief Executive Officer, Superior Court; Ed Harrington, Controller; Supervisor Bierman; Kim Harmon, Director, Dependency Mediation Program, Superior Court. Amended to reduce funds requested to $17,843 and to designate new position as "L", Limited Tenure; new title.

AMENDED.

Ordinance rescinding and reappropriating $17,843, professional services to salaries and fringe benefits and creating one (1) position for the Superior Court for fiscal year 1999-2000. (Controller)

(Companion measure to File 992186.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992186 **[Public Employment, Superior Court]**

Ordinance amending Ordinance No. 209-99 (Annual Salary Ordinance, 1999-2000, reflecting the creation of one position (Class 0366 Dependency Mediation Assistant), for the Superior Court. (Department of Human Resources)

(Companion measure to File 992185.)

11/23/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Alan Carlson, Chief Executive Officer, Superior Court; Ed Harrington, Controller; Supervisor Bierman; Kim Harmon, Director, Dependency Mediation Program, Superior Court. Amended to designate new position as "L", Limited Tenure.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Yee, Bierman, Ammiano

992095 **[Charitable Distribution of Food]**

Supervisors Yee, Ammiano

Hearing to consider the City's practice of confiscating food distributed by charitable organizations, including Food Not Bombs, and arresting members of the clergy and other volunteers for distributing food.

11/8/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

11/17/99, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: John Di Donna.

12/1/99, CONTINUED TO CALL OF THE CHAIR.

Heard in Committee. Speakers: Hugh Mejia, Food First; Karen Parker, Human Rights Attorney; Rajiv Bhatia, M.D., Health Department; R.G. Goody, POWER; Sister Bernie Galvin, Religious Witness; Aroza Simpson, Gray Panthers; Rebecca Vilkowerson, Homeless Prenatal Program; Supervisor Bierman; Dennis Cunningham, National Lawyers Guild; Supervisor Ammiano; Ted Lakey, Deputy City Attorney; Roland; Ray Razin; Larry Edmond; Robert Noise, Homeless united for Friendship & Freedom, Santa Cruz; Frank Martin Campo; Mr. Martin, Coalition on Homelessness; Supervisor Yee.

FILED by the following vote:

Ayes: 2 - Yee, Bierman

Absent: 1 - Ammiano

ADJOURNMENT

The meeting adjourned at 11:50 a.m.

Public Library,Gov't Info. Ctr., 5th Flr.
Attn: *Susan Hom*

90.254
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12/8/99

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

December 3, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: December 8, 1999 Finance and Labor Committee Meeting

Item 1 – File 99-2114

Department: Department of Children, Youth, and Their Families (DCYF)

Item: Hearing to consider the release of reserved funds in the amount of $250,000 to implement the San Francisco childcare providers healthcare benefits Pilot Program.

Amount: $250,000

Source of Funds: Funds reserved in the Fiscal Year 1999-2000 DCYF budget. During the FY 1999-2000 budget hearings, the Finance and Labor Committee recommended, and the full Board of Supervisors approved, an appropriation of $250,000 to fund a Pilot Program to provide health insurance benefits to childcare providers in San Francisco. Such funds were placed on reserve pending the submission of program plan and budget details to the Finance and Labor Committee.

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Description: The Childcare Providers Healthcare Benefits Pilot Program is intended to provide access to more affordable health insurance to the City's childcare providers. The

program aims to increase the quality of childcare by decreasing the high turnover rate among providers and attracting new childcare professionals into the field by providing affordable health insurance.

The program would contract with a group health insurance plan[1], available to all childcare providers operating in San Francisco. The plan would create a purchasing pool which would allow (a) licensed individual family childcare providers, who provide childcare for up to 14 children in their homes, to purchase health, dental, and vision insurance for themselves, (b) licensed childcare centers to purchase such insurance for their employees, and (c) employees of licensed childcare centers who are not currently insured to purchase such insurance as individuals.

Under this proposed Pilot Program, those family childcare providers, with family income which does not exceed 250 percent of the Federal poverty level, would be eligible to receive a subsidy from the proposed Pilot Program to pay two-thirds of the premium cost.[2] All other family childcare providers, childcare centers, and employees of childcare centers that purchase insurance from the group health plan would pay the full premium cost to the health plan.

Approval of the proposed release of reserves would authorize DCYF to expend $250,000 over a one year period for the Childcare Providers Healthcare Benefits Pilot Program.

Budget:

The estimated budget for the proposed Pilot Program is as follows.

Administration and Start-Up Costs (a)	$ 50,000
Health Insurance Premiums (b)	200,000

[1] The group health insurance plan, such as Blue Shield, San Francisco Health Plan or another qualified health plan, would be selected through a Request for Proposal process. Individual family childcare providers and childcare centers would purchase insurance from and make premium payments to the selected group health insurance plan, through the benefits administrator.

[2] Under the current proposal, the City would pay the subsidy directly to the health benefits administrator on behalf of the childcare provider.

Total	$250,000

(a) As explained in the attached memorandum, provided by DCYF, estimated administration and start-up costs, totaling $50,000, would be: $12,500 for DCYF's program costs to oversee the program, $13,680 for the health benefits administrator (based on a estimated cost of $90 per year for 152 subsidized childcare providers), and $23,820 for outreach and program evaluation.

(b) The City would subsidize two-thirds of the premium costs, payable to the selected group health insurance plan, for approximately 152 individual family childcare providers in the first year of the program, at an estimated cost of $199,424 (Two-thirds of the estimated annual premium cost of $1,968, based on the current annual premium for the San Francisco Health Plan, equals $1,312. 152 times $1,312 equals $199,424 in annual premium costs.)

Comments:

1. According to Ms. Nani Coloretti of DCYF, once the subject funds are released, DCYF would issue a Request for Proposal (RFP) to select a health plan, and would require that the health plan subcontract with a benefits administrator. Ms. Coloretti states that the above budget is an estimate, and that the actual budget is subject to the RFP process.

2. Ms. Coloretti states that the one-year Pilot Program would permit individual family childcare providers, childcare centers, and individual employees of childcare centers to purchase health insurance, including dental and vision, from the group health plan at their own cost. Additionally, as noted above, Ms. Coloretti states that the Pilot Program would subsidize two-thirds of the cost of health, dental, and vision insurance for approximately 152 individual family childcare providers with family income which does not exceed 250 percent of the Federal poverty level. The subsidy would not be available to individuals who are eligible for other public health insurance, such as Medi-Cal. Nor would the subsidy be available to the providers' dependent children, who, according to Ms. Coloretti, would generally be eligible for Medi-Cal or Healthy Families, the State and Federally

funded program to provide health insurance benefits to low-income children. Family childcare providers, childcare centers, and individual employees of childcare centers could purchase health insurance through the group health plan for their family members and themselves at their own cost.

3. Ms. Coloretti states that the intent of the group health plan is to provide health insurance at a lower cost than individual private health insurance plans, and to generally offer a better benefit package than such plans. In addition, the group health plan would not exclude individuals with pre-existing medical conditions.

4. According to Ms. Coloretti, the Childcare Providers Healthcare Benefits Pilot Program would have two phases. In phase one, which is the subject of this hearing, the program would offer a subsidy to individual family childcare providers with income which does not exceed 250 percent of the Federal poverty level, equal to two-thirds of the health insurance premium. In phase two, in addition to the subsidy already offered to the individual family childcare providers, the program would offer a subsidy to childcare centers which meet specific criteria[3] to purchase health insurance for the center's employees, equal to one-third of the health insurance premium. To obtain the subsidy, the center would be required to pay at least one-third of the employees' health insurance premium, for a total subsidy provided by the program and the center equal to two-thirds of the total cost of the employees' insurance premium.

5. According to Ms. Coloretti, the proposed release of $250,000 in reserved Children's Fund monies would pay for program start-up and administration costs and health insurance premium subsidies for one year. Additional Children's Fund monies, subject to Board of Supervisors approval, would be required in future years to pay health plan administration costs and premium subsidies,

[3] Such criteria include that (a) the childcare center serve at least 50 percent low-income children with family income that does not exceed 75 percent of the State median income, (b) the center has not offered health insurance benefits for at least six months, (c) ensure that at least 70 percent of the employees participate, and (d) pay at least one-third of the premium costs on behalf of the employees.

including the additional costs to expand the subsidy to pay one-third of annual premium costs for employees of eligible childcare centers.

Recommendation: Based on the prior policy decision of the Board of Supervisors to authorize the program, approve the requested release of reserves.

Attachment

DEPARTMENT OF CHILDREN,
YOUTH AND THEIR FAMILIES

DEBORAH ALVAREZ-RODRIGUEZ
DIRECTOR

WILLIE L. BROWN, JR.
MAYOR

MEMORANDUM

To: Severin Campbell

From: Nani Coloretti
Rachel Aberbach

Date: November 30, 1999

Subject: Administrative and Start-up Costs for Child Care Provider Health Benefits

---

You had asked about a breakdown for the $50.000 in proposed administrative and start-up costs. The Department plans to spend this funding as follows:

ITEM	COST
Benefit Plan Administration 1/	$13.680
Outreach and Evaluation 2/	$23.820
Department Administration 3/	$12.500
Total	**$50,000**

1/ Based on 152 individuals at $7.50 per member per month
2/ Outreach includes advertisements and informational meetings. Evaluation will include telephone and mail surveys in order to determine the effectiveness of the pilot.
3/ This amount represents 5% of the total program cost, which is below DCYF's standard charges. This amount covers program and fiscal monitoring for new contracts.

Please call Nani or Rachel at 554-8990 with any further questions.

Item 2 - File 99-1923

Note: This item was continued by the Finance and Labor Committee at its meeting of December 1, 1999.

Department: Mayor's Criminal Justice Council

Item: Ordinance amending Article XIII, Chapter 10, Part I of the San Francisco Municipal Code (Administrative Code) by adding Section 10.117-124 to require the Controller to separately account for fines awarded to the City through Community Court Dispute Resolution Programs and appropriating those funds to enhance public safety and the quality of life in the communities served by the Community Courts.

Description: Community Courts, according to Mr. Travis Kiyota of the Mayor's Criminal Justice Council, are a State authorized means of diverting quality of life misdemeanor offenses from the traditionally backlogged courts and criminal justice system to the community where the offenses occurred. Mr. Kiyota advises that the quality of life misdemeanor cases referred to Community Courts include open alcohol containers, petty gambling, loitering, shop lifting, possession of small quantities of marijuana, grafitti, etc. Mr. Kiyota advises that in November of 1998, the City created two Community Courts in the City, one in the Bayview and one in the Oceanview-Merced-Ingleside (OMI) Community.

The California Community Dispute Services, a non-profit organization, with the assistance of the District Attorney's Office, trains community residents and merchants to sit as the three volunteer panel members on each Community Court to hear these misdemeanor cases. The District Attorney's Office forwards letters to the individuals cited for the misdemeanor cases referring them to the specific Community Courts at a set-aside date and time. Alternatively, the individual cited with the misdemeanor can choose to go through the traditional court system to settle the matter.

During the hearing before the Community Court, a Police Officer is present to read the case report. The

panel members then question the individual regarding the misdemeanor case. The panel then decides on the case, and if found guilty, the panel typically gives the individual a choice of paying a fine or performing community service.

If the individual chooses community service, they are referred to the Pretrial Diversion Project, a non-profit organization, that provides community services, under contract with the Sheriff and the Department of Parking and Traffic. If the individual chooses community service, the individual will be required to perform the community service hours in the community where the misdemeanor occurred. Mr. Kiyota reports that those individuals choosing to pay the fine are required to pay the fine to the City and County of San Francisco. According to Mr. Kiyota, the California Community Dispute Services collects the fines and forwards the checks to the Fiscal Division of the Police Department, which deposits the funds into a Bank of America account, known as the Community Court Dispute Resolution Program Funds.

As of November 3, 1999, Mr. Kiyota reports that the Community Court Dispute Resolution Program had a balance of $12,262 in the Bank of America account, including $11,137 from the Bayview and $1,125 from the OMI. To date, Mr. Kiyota advises that none of the collected fines have been expended. According to Mr. Kiyota, if the proposed ordinance is approved, all of these funds will be transferred to the proposed Controller accounts.

Mr. Kiyota advises that the OMI Community Court is planned to be expanded to include the entire area covered by the Taraval Police Station, and to be renamed the Taraval Community Court. The proposed ordinance would require the Controller to separately account for the penalties, fines and other payments awarded to the City and County by (1) the Bayview Community Court, (2) the Taraval Community Court and (3) any additional Community Courts established in other San

Francisco neighborhoods. Furthermore, Mr. Kiyota reports that the penalties, fines and other payments referenced in the proposed ordinance would include the fines received by the Community Courts from the individuals cited for the misdemeanors as well as any other gifts of funds that the Community Courts might receive. Mr. Kiyota reports that to date, the Community Courts have not received any gifts of funds, but there has been no means to accept such gifts.

Under the proposed ordinance, funds deposited into each of these Community Court accounts could only be expended to enhance public safety and the quality of life in that specific community (i.e., Bayview, Taraval or other neighborhood communities), and to support the specific Community Court Programs. In other words, the funds awarded by the Bayview Community Court could only be expended to enhance public safety and the quality of life in the Bayview Community and to support the Bayview Community Court Program.

In accordance with the proposed ordinance, the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney, Chief Executive Officer of the Superior Courts and the Controller shall establish guidelines for the specific disbursement of the penalties, fines and other payments, consistent with the guidelines outlined above. Any expenditure of $5,000 or less could then be disbursed by the Director of the Mayor's Criminal Justice Council, in consultation with the Police Chief, District Attorney and the Chief Executive of the Superior Court. Any expenditure in excess of $5,000 would also require appropriation approval by the Board of Supervisors. As stated in the proposed ordinance, all costs that may be incurred by any City department in administering these monies shall be absorbed within that department's existing budget.

Comments:

1. According to Mr. Eugene Clendinen of the Mayor's Criminal Justice Council, the initial two

Community Courts were established as a pilot program to address minor misdemeanors occurring in these communities, that are diverted from the Trial Courts. Mr. Clendinen reported that these two Community Courts were established through an initial $50,000 Federal law enforcement block grant and have been continued with a $150,000 Federal Department of Justice grant. According to Mr. Kiyota, the current Federal law enforcement grant ends in April of 2000. Mr. Kiyota reports that if these projects are determined to be successful, the Mayor's Office will recommend other funding sources to continue the operations of these Community Courts.

2. Mr. Ed Harrington reports that he has reviewed the proposed ordinance, which would require the Controller to separately account for the fines awarded to the City through the Community Court Dispute Resolution Programs. Mr. Harrington advises that this is a preferable arrangement than an earlier version of this legislation which had required the creation of additional Special Funds by the Controller's Office. According to Mr. Harrington, any interest earnings from the proposed funds will accrue to the City's General Fund.

3. Mr. Kiyota advises that the proposed ordinance specifically states that "No cost that may be incurred by any City department in administering these monies shall be recovered therefrom." Therefore, Mr. Kiyota reports that under the proposed ordinance, neither the Controller nor any other City department would receive reimbursement for the costs of administering the proposed accounts. The costs to administer these funds are generally minimal, according to Mr. Harrington. However, Mr. Harrington advises that if maintaining these accounts becomes a problem, the Controller's Office will notify the Board of Supervisors at that time, in order to remedy the situation.

4. As noted above, the current two Community Courts have been initiated with grant funds, which are due to terminate in April of 2000, approximately five months. Based on discussions with the Mr. Kiyota, although the funds can be used to support the Community Court programs, the main purpose of the proposed ordinance is to expend the funds collected by the Community Courts to enhance public safety and the quality of life in each of the Community Court communities. Mr. Kiyota furthermore notes that the funds generated by the Community Courts are not sufficient to sustain the overall operations and maintenance of the Courts.

Mr. Kiyota reports that each Community Court currently has two staff members, one from Pre-trial Services and one from the California Community Dispute Services, both non-profit organizations. Mr. Kiyota estimates that the operating costs for each of the Community Courts is approximately $70,000 to $80,000 annually. As noted above, these Community Courts have been funded with grant funds, that terminate in April of 2000. Therefore, the Budget Analyst recommends that before a long-term decision is made regarding how the funds generated by the Community Courts would be spent, which is the subject of the proposed legislation, a long-term funding source should be identified to provide the ongoing operations and administration for the Community Courts, if they prove successful.

5. In accordance with the proposed ordinance, appropriation of funds less than $5,000 would not be subject to the Board of Supervisors approval. The Budget Analyst notes that since the creation of the two Community Courts in November of 1998, approximately one year ago, a total of only $12,262 has been generated by the fines and penalties assessed by the two Community Courts. Given the amount of funds currently being generated by each of these Community Courts, it is not likely that there would be allocations of funds greater than $5,000 in the near future. Mr. Kiyota responds that

he anticipates the expenditures would be in increments of approximately $500 or less, which, in accordance with the proposed ordinance, would not be subject to the Board of Supervisors approval.

6. At the November 17, 1999 Finance and Labor Committee Meeting, the Chair requested that the Mayor's Criminal Justice Council provide assurances that (1) the individual civil rights of those persons being charged with the misdemeanors are protected; (2) the meetings of the Community Courts are tape recorded; and (3) the guidelines include protections to assure that the funds collected do not go to those persons or organizations who are members of the Community Courts.

Recommendations:

As discussed in Comment No. 4, before a long-term decision is made regarding how the funds generated by the Community Courts would be spent, which is the subject of the proposed legislation, the Mayor's Criminal Justice Council should report to the Board of Supervisors identifying a long-term funding source to provide the ongoing operations and administration for the Community Courts, if they prove successful.

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 3 – File 99-2075

Department: Asian Art Museum (AAM)

Item: Hearing to consider the release of reserved funds in the amount of $32,002,738 to fund construction contracts for the Asian Art Museum.

Amount: $32,002,738

Source of Funds:

1989 Public Safety Improvement Bonds Series 1996B:	$7,537,051
Asian Art Relocation Project Bonds Series 1996E:	24,465,687
TOTAL	$32,002,738

Description: In July of 1997, the Board of Supervisors approved an appropriation in the amount of $32,499,633 from 1989 Public Safety Improvement Bonds Series 1996B ($7,605,863) and 1994 Asian Art Museum Relocation Bonds Series 1996E ($24,893,770) to renovate the old Main Library building for the purpose of relocating the Asian Art Museum from Golden Gate Park to the Civic Center (Ordinance No. 278-97).

Of the above-noted $32,499,633 in previously appropriated funds, the Board of Supervisors placed a total of $32,002,738 on reserve for renovation of the old Main Library building pending selection of subcontractors, and submission of subcontractor and other cost details. The balance of $496,895 was appropriated to the Department of Public Works for bond issuance costs, financial administration, and related costs.

As shown in Attachment I, this request would release $32,002,738 out of the total project costs of $37,615,768 for five subcontractors selected under a competitive bidding process to renovate the old Main Library building for the Asian Art Museum. As shown in Attachment I, the balance of $5,613,030 would be funded by 1994 Asian Art Museum Relocation Bonds Series 1999D. Ms. Satoda states that a request for such funds will be submitted to the Board of Supervisors for approval in the near future.

As indicated in the attached memorandum from Mr. David Norman of the City Attorney's Office (Attachment II), a joint venture of Lem Construction Company and DPR Construction ("LEM/DPR") has been retained as the project's general contractor. The LEM/DPR contract is funded by private contributions from the Asian Art Foundation. The five subcontractors listed in Attachment I would be subcontractors of LEM/DPR.

Budget: As noted above, Attachment I, provided by the AAM, contains a list of the five subcontractors and their related work descriptions, resulting in a total cost of $37,615,768.

Comments: Each of the five subcontractors listed in Attachment I was selected through a competitive bidding process, according to Ms. Satoda of the AAM. Attachment III, provided by the AAM, contains a list of all bidders and the amounts bid.

Recommendation: Release the requested reserve for $32,002,738.

ASIAN ART MUSEUM

CONSTRUCTION CONTRACTS AWARDED		
SUBCONTRACTORS	DESCRIPTION	AMOUNT
Aman	Structural Demolition	$3,998,000.00
Total Structural Demolition		**$3,998,000.00**
Bostrom Bergen	Structural Steel	$17,981,798.00
Total Structural Steel		**$17,981,798.00**
S.J. Amoroso	Structural Concrete	$13,497,400.00
Total Structural Concrete		**$13,497,400.00**
Thyssen Dover Elevator	Conveying System	$1,360,000.00
Total Conveying System		**$1,360,000.00**
Ryan Engineering	Earthwork, Trenching, Civil Demolition	$778,570.00
Total Earthwork, Trenching		**$778,570.00**
TOTAL PUBLIC CONTRACTS		**$37,615,768.00**

Total Public contracts to date		$37,615,768
Cash to be released from reserve		$32,002,738
Balance	to be paid out of 1994 Asian Art Museum Relocation bond series 1999D.	$5,613,030

CITY AND COUNTY OF SAN FRANCISCO

LOUISE H. RENNE
City Attorney

OFFICE OF THE CITY ATTORNEY

DAVID L. NORMAN
Deputy City Attorney

DIRECT DIAL (415) 554-3986
E-MAIL david_norman@ci.sf.ca.us

November 4, 1999

Harvey Rose
Budget Analysts Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: The New Asian Museum Project

Dear Mr. Rose:

Since the above project is being funded, in part, with public funds, the Asian Art Commission has asked that I write to you and explain the procedures that have been used on the Asian Art Project to ensure that the City's ordinances pertaining to public work contracting and the utilization of minority and women-owned business enterprises are being followed. Both Deputy City Attorney George K. Wong and myself have been actively involved in counseling the Asian Art Commission on this project. Below is a description of the procedures undertaken by the new Asian Art Museum Project to comply with the City's contracting requirements.

First, funds contributed from the Asian Art Foundation were used to hire a general contractor, a joint venture of Lem Construction Company, a minority-owned enterprise, and DPR Construction ("LEM/DPR"), to act as the Project's construction manager. Lem owns 51% of the joint venture. Under its contract with the Asian Art Foundation, LEM/DPR will be paid a fixed administrative fee for construction management services and to assist the Asian Art Foundation and its architect in developing numerous trade package contracts for the Project for competitive bidding by both the City's Asian Art Commission and the private Asian Art Foundation ("Foundation"). The trade packages bid by the Commission are to be paid for with public funds. Those trade packages remaining to be bid are to be paid by the Foundation with its private funds. Although the Foundation may enter into negotiations with bidders for the work paid for with private funds, the Foundation nevertheless is working with the City's Human Rights Commission to meet the project-wide MBE/WBE participation goals that were established by the HRC.

Second, after both the publicly and privately-funded trade package contracts have been advertised for competitive bids and the contracts have been awarded by either the City's Commission or the Foundation, both the Commission and the Foundation will assign and novate the contracts to LEM/DPR such that the successful low bidders become direct subcontractors to LEM/DPR. Thereunder, each subcontractor must perform for LEM/DPR the work they were to perform for the Commission and Foundation. Also pursuant to the novations, LEM/DPR will ultimately be responsible for administering all of the trade package contracts and must ensure that the work is performed to the Commission's and Foundation's satisfaction.

Third, the trade packages that are to be paid for with public funds were advertised first and include a purchase contract for base isolators and flat jack seismic suspension, earthwork, trenching, paving and civil demolition; interior demolition; structural steel erection; and structural concrete erection.

For the above publicly-funded work, the Commission worked with the HRC to establish MBE/WBE subcontractor participation goals and the HRC has reviewed the bids submitted to the Commission. The Commission has strictly complied with the procedures set forth under Chapter Six of the Administrative Code pertaining to public works contracting. Those include: a) advertising the work in the City's official newspaper and other trade publications; b) providing, at a minimum, fifteen days for the advertising of the bids; c) holding pre-bid meeting with the HRC's representatives present to review HRC requirements; and d) complying with the City's subcontracting listing procedures. Bid protests were allowed and responded to. And after a period of four months, the Commission has now awarded the above packages to DIS, Aman Construction Company, Ryan Engineering, Thyssen Dover Elevator Company, Bostrom Bergen and S.J. Amoroso respectively. The amount of those contracts total $40,610,768. [1]

It is my opinion that the Commission has performed the above lawfully and in full compliance with Chapter Six of the San Francisco Administrative Code.

Very truly yours,

LOUISE H. RENNE
City Attorney

DAVID L. NORMAN
Deputy City Attorney

DLN/dg

[1] For the purchase contract with DIS for $2,995,000 for base isolators and flat jacks, the HRC set no subcontracting goals because of the nature of materials being furnished.

ASIAN ART MUSEUM
OF SAN FRANCISCO

TO: Alan Gibson
FROM: Ikuko Satoda
DATE: November 17, 1999
SUBJECT: File 99-2075

This is a listing of all the bidders for each of the five contracts, and the amounts each one bid.

CONTRACT BIDS		
BID PACKAGE	STRUCTURAL DEMOLITION	
Bidders	*AMAN*	*ICONCO*
Bid Amount	3,998,000	4,541,000
	Awarded	
BID PACKAGE	STRUCTURAL STEEL	
Bidders	*Bostrom-Bergen*	*WW Steel*
Bid Amount	17,981,798	19,980,000
	Awarded	
BID PACKAGE	STRUCTURAL CONCRETE	
Bidders	*S.J. Amoroso*	*Conco*
Bid Amount	13,497,400	15,030,568
	Awarded	
BID PACKAGE	CONVEYING SYSTEMS	
Bidders	*Thyssen-Dover*	*Montogmery*
Bid Amount	1,360,000	2,661,000
	Awarded	
BID PACKAGE	EARTHWORK, TRENCHING	
Bidders	*Ryan*	*Aman*
Bid Amount	788,570	988,000
	Awarded	

CHONG-MOON LEE CENTER
FOR ASIAN ART AND CULTURE

GOLDEN GATE PARK
SAN FRANCISCO
CALIFORNIA 94118
PHONE (415) 379-8800
FAX (415) 668-8928
TDD (415) 752-2635

Item 4 – File 99-2141

Departments: Department of Public Health (DPH)
Department of Real Estate (DRE)

Item: Resolution authorizing amendments to two existing DPH leases of real property, for the Mental Health Division of the DPH.

Location: Evans Avenue between Mendell and Keith Streets.

Purpose of Lease Amendments: The proposed lease amendments would:

- consolidate into one lease the two existing leases for the Mental Health Division of the DPH at 1307 and 1317-1317A Evans Avenue;
- add 691 square feet of additional office space for the Mental Health Division at 1309C Evans Avenue; and
- set the termination date for the new lease at June 30, 2003.

Lessor: John M. Holland IV, an individual landlord

Lessee: City and County of San Francisco

No. of Sq. Ft. and Cost Per Month: The following table summarizes the existing and proposed lease arrangements:

Premises	Square Feet	Monthly Rent	Rent/Sq. Ft Per Month	Lease Expiration
Current Leases:				
1307 Evans Avenue	7,198	$9,717.30	$1.35	June 30, 2003
1317-1317A Evans Avenue	501	601.00	$1.20	Month-to-month
Current Total:	7,699	$10,318.30		
Proposed Consolidated Lease:				
Proposed consolidated premises including 691 square feet at 1309C Evans Avenue	8,390	$11,400.00	$1.36	June 30, 2003

Additional Cost: $1,081.70 per month, or $12,980.40 annually.

Source of Funds: FY 1999-2000 Substance Abuse and Mental Health Services Administration Block Grant from the California State Department of Mental Health

Percentage Increase Over Prior Lease: The proposed lease amendments would result in:

- an increase in space for the Mental Health Division of the DPH of 691 square feet or approximately 9 percent, from 7,699 square feet to 8,390 square feet; and
- an increase in cost to the City for annual rent of $12,984 or approximately 10.5 percent, from $123,816 to $136,800 per year.

Utilities and Janitor Provided by Lessor: Under the two existing leases, the Lessor pays all costs for utilities and janitorial services, except for separately metered electrical services which are the responsibility of the City. The proposed lease amendment would not alter this arrangement.

Term of Lease: According to Mr. Steve Alms of the DRE, the existing five-year lease at 1307 Evans Avenue, which is a five-year extension of a lease previously approved by the Board of Supervisors, commenced on July 1, 1998 and will expire on June 30, 2003. Mr. Alms states that the existing lease at 1317-1317A Evans Avenue is on a month-to-month basis in accordance with Section 23.19 of the Administrative Code which permits month-to-month leases for property which costs $1,000 or less per month. Approval of the resolution would result in the conversion of the existing lease at 1317-1317A Evans Avenue from a month-to-month basis to a fixed expiration term of June 30, 2003.

Right of Renewal: None

Description: In 1993, the Board of Supervisors approved a resolution authorizing the DPH to lease portions of the ground and second floor of the building located at 1307 Evans Avenue for use by the Mental Health Division of the DPH (Resolution No. 586-93). In 1998, the DPH exercised its

option to renew this lease for one additional term of five years, which expires on June 30, 2003.

In addition, in November of 1998, the DPH began leasing space at 1317-1317A Evans Avenue on a month-to-month basis in accordance with Section 23.19 of the Administrative Code which permits month-to-month leases for property which costs $1,000 or less per month, according to Mr. Alms.

Comments:

1. Presently, the two leases provide 7,699 square feet of office space for the Mental Health Division of the DPH for 46.5 full-time equivalent employees, at an average of approximately 166 square feet per employee. Under the proposed consolidated lease, the additional 691 square feet, which would increase the total space to 8,390 square feet, would accommodate the same number of full-time equivalent employees, at an average of approximately 180 square feet per employee. The Attachment provided by Ms. Judy Schutzman of the DPH explains why the Mental Health Division needs an additional 691 square feet of office space.

2. According to Mr. Alms, the proposed monthly rent of $11,400 represents fair market value.

Recommendation:

Approve the proposed resolution.

City and County of San Francisco
Department of Public Health
Population Health & Prevention

COMMUNITY MENTAL HEALTH SERVICES

Judith Schutzman
Operations Manager

1380 Howard Street, 5th Floor
San Francisco, CA 94103-2614
(415)255-3405 FAX (415)255-3567

MEMORANDUM

Date: November 30, 1999

To: Alan Gibson
Board of Supervisors Budget Analyst

From: Judy Schutzman

Subject: File 99-2141

This is in response to your request for additional information regarding Community Mental Health Services' lease on Evans Avenue.

1. The source of funds for the additional space is the Substance Abuse and Mental Health Services Administration (SAMHSA) block grant. This is an annual grant through the State Department of Mental Health. There is $136,800 available for office rental in a total grant for this program of $481,681.

2. These premises are used to house the Family Mosaic Project, a program which serves severely emotionally disturbed children and their families. The expanded space will be used to house existing staff, six of whom were hired in the past six months. There are currently 43 FTE Civil Service staff and 7 part-time (3.5 FTE) graduate school interns housed in the existing space, an average of 166 square feet per person. The additional space will increase the average per person to 180 square feet.

In addition to confidential therapy offices, space is utilized for group and family therapy and multi-disciplinary case conferences. Of necessity, these uses require more square footage than a purely administrative office environment.

If you have additional questions, please give me a call.

cc: Monique Zmuda
Tony DeLucchi
Steve Alms

Items 5 and 6 – Files 99-2185 and 99-2186

Department: Superior Court

Item: File 99-2185
Ordinance rescinding $23,643 budgeted in the Fiscal Year 1999-2000 Superior Court budget for Professional Services and reappropriating said amount to Salaries and Fringe Benefits, and creating one new permanent Dependency Mediation Assistant in the Superior Court for Fiscal Year 1999-2000.

File 99-2186
Ordinance amending Annual Salary Ordinance for Fiscal Year 1999-2000 (Ordinance No. 209-99), creating 1.0 FTE 0366 Dependency Mediation Assistant in the Superior Court.

Amount of Funds: $23,643

Source of Funds: Reappropriation of Professional Services monies included in the Fiscal Year 1999-2000 Superior Court budget

Budget: The budget for this proposed position, from November 1 of 1999 through June 30, 2000, is as follows:

0.625 FTE Dependency Mediation Assistant	$19,379
Fringe Benefits	4,264
Total	$23,643

The amendment to the Annual Salary Ordinance creating one new position would be as follows:

		Biweekly		Annual	
Classification	Title	Step 1	Step 5	Step 1	Step 5
1.0 FTE 0366	Dependency Mediation Assistant	$1,800	$2,188	$46,980	$57,107

The annual cost of the proposed one new permanent position would range from $57,316 at Step 1, including $46,980 for salary and $10,336 for fringe benefits, to

$69,670 at Step 5, including $57,107 for salary $12,563 for fringe benefits.

Description:

The Superior Court's Dependency Mediation Program is designed to promote cooperation and teamwork among the various parties involved in juvenile dependency cases and to reduce the adversarial nature of the proceedings. The Program promotes the active involvement of parents or guardians in creating treatment plans for themselves and their children. The goal of the Dependency Mediation Program is to reduce the number of contested hearings, and thereby, reduce the City's related court and social service costs.

Currently, the Dependency Mediation Program is paying Parent Mediators, consisting of parents whose children were made dependents of the Court. Such Parent Mediators have successfully resolved those issues which led to the children's removal from care. The Parent Mediators are being paid on a contractual, as-needed basis serving as peer mediators and to educate other parents or guardians about the program. The Parent Mediators also provide assistance to professional mediators, who are required to have master's degrees and are skilled in conducting mediations, in the mediation process.

The proposed ordinance would create a new permanent City classification, the Dependency Mediation Assistant, to perform the functions currently performed by the Parent Mediators. The Dependency Mediation Assistant would have received the training provided to Parent Mediators and gained experience in peer mediation while performing as a Parent Mediator. In addition, the Dependency Mediation Assistant would assume new responsibilities in coordinating parent orientations, community meetings, and family case development.

The proposed ordinances would (a) reappropriate funds presently budgeted in the FY 1999-2000 Superior Court budget for Professional Services to fund the salary and benefits for one new permanent Dependency Mediation

Assistant (File 99-2185) and (b) amend the Annual Salary Ordinance, to create such position (File 99-2186).

Comments:

1. The attached memorandum (Attachment I), provided by Ms. Kim Harmon of the Superior Court, provides background information pertaining to the Dependency Mediation Program and the justification for approving one new permanent position to replace the Parent Mediators who have been providing services to this program under contract.

2. The Budget Analyst notes that actual expenditures in FY 1999-2000 for Parent Mediators, as of November of 1999, are only $1,635. Actual expenditures for Parent Mediator contractual services in FY 1997-98 and FY 1998-99 were $2,230 and $1,860 respectively. Therefore, based on actual expenditures of $1,860 in FY 1998-99, the estimated increased cost to the City of adding one new position is $67,810 ($69,670 less $1,860).

3. Ms. Harmon states that a Parent Mediator, who successfully completed the training and has worked as a peer mediator on a contractual, as-needed basis for the Superior Court's Juvenile Dependency Mediation Program, has been selected as the Dependency Mediation Assistant, upon Board of Supervisors approval of the proposed ordinances. However, the new proposed position would not be filled until on or about January 2, 2000, at the earliest.

4. According to Ms. Cheryl Martin of the Superior Court, the proposed new permanent Dependency Mediation Assistant would serve in a paraprofessional capacity, assisting professional mediators in the Unified Family Court, which is the court handling all family matters. As explained in Attachment II, provided by Ms. Martin, the salary rate was set at a salary range slightly below an 1822 Administrative Analyst, the entry-level professional classification. Attachment II further explains how the classification and salary range were determined.

5. The Budget Analyst notes that approval of this new permanent position, to replace the Parent Mediators

under contract, would result in estimated increased costs to the City of $67,810 annually ($69,670 less $1,860). According to the Superior Court, justification for such increased expenditures, as Ms. Harmon states in the attached memorandum, is that "with the addition of the Dependency Mediation Assistant, we would be able to double our caseload, which would mean an average monthly savings of $23,473." According to Ms. Harmon, such cost savings would result from reduced trial preparation and trial costs due to settlement of cases in the Dependency Mediation Program.

6. Based on a starting date for the proposed new permanent position of January 2, 2000, resulting in 13 remaining pay periods, at a biweekly salary rate of $1,125 per pay period (based on 0.625 FTE) the Budget Analyst recommends reducing the amount budgeted for Permanent Salaries by $4,754 and for Fringe Benefits by $1,046, for a total reduction of $5,800.

Recommendations:

1. Amend the proposed ordinance (File 99-2185) to reduce the total funds requested of $23,643 by $5,800, including $4,754 for Permanent Salaries, and $1,046 for Fringe Benefits, resulting in a total recommended amount of $17,843.

2. Amend the proposed ordinances to designate the requested one new permanent position as an "L" or Limited-Tenure position in order that this position can be re-evaluated by the Board of Supervisors during the FY 2000-2001 budget review.

3. Approval of the ordinances, as amended, is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

Dependency Mediation Program
San Francisco Unified Family Court

400 McAllister Street, Suite 402 • San Francisco, CA 94102 • (415) 551-3912 • Fax: (415) 551-4002

December 1, 1999

Severin Campbell, Budget Analyst
Budget Office, Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: Dependency Mediation Assistant Position

Dear Ms. Campbell:

As you know, the Dependency Mediation Program of the San Francisco Unified Family Court provides mediation services to families whose children have been made dependents of the court. The population that this Program serves is, for the most part, in extreme poverty and, therefore, without the financial resources necessary to deal with the issues that have brought their children to the attention of the court . The reasons for the children's involvement in the system can almost all be traced back to their parents' substance abuse, domestic violence, and/or mental health issues.

Cost Savings to the Court for Proposed Job Creation
The addition of the Dependency Mediation Assistant position will provide financial benefits to the court:

1. Our current caseload is approximately 12 mediations per month. As we fully resolve around 80% of the cases referred to our program and partially resolve another 12%, we would be saving the court close to double the amount of savings currently generated. (See attached Statistical Report for November 1999, p. 6, showing this Fiscal Year Savings* at $58,683.24, which is an average monthly savings of $11,737.00);

With the addition of the Dependency Mediation Assistant we would be able to **double** our caseload, which would mean an **average monthly savings of $23,473.00.**

2. Our mediations are set up to be mediated by teams of two by necessity. The addition of a permanent position at the paraprofessional level will allow us to have a mediation team that includes a paraprofessional and professional mediator, rather than paying for two professional mediator. The hourly rate of pay requested for the Dependency Mediation Assistant is $26.84, including benefits. The hourly rate paid the professional contract mediator is $50.00 per hour, almost twice as much per hour.

* "Savings are gross savings, prior to cost of program. However, these savings do **not** reflect savings to the Dept. of Human Services, or judicial and court personnel time freed up for other work and cases.

3. From our relatively short experience, we are confident that the paraprofessional mediator's involvement will bring up the percentage of cases that fully resolve, thus increasing the monthly savings. On a number of occasions all of the attorneys and child welfare worker have specifically requested her participation because of the unique qualities she possesses and the way in which she is able to relate to very difficult clients.

4. In addition to 12 hours per week (4 cases) spent in mediations, the Dependency Mediation Assistant would spend approximately 6 hours a week setting up and making presentations to community groups. She would spend the remaining 7 hours per week providing parent orientation and doing case development services in advance of the mediation sessions.

History of the Dependency Mediation Assistant Position

A few years ago Judge Hitchens and I discussed her idea for a pilot program. This pilot was specifically designed to address the needs of the parents of dependent children. These parents are often unable to work effectively with the "system" and feel hopeless and overwhelmed; factors that can greatly contribute to their inability to reunify with their children.

Judge Hitchens and I believed that by incorporating a peer mediator (a parent whose children had been through the dependency system and who had successfully resolved the issues that initially brought her children to the attention of the court) that this Mediation Assistant would be able to:

1. Provide a role model for parents;
2. Provide a sense of hope to parents;
3. Provide reality testing to both parents and child welfare workers;
4. Provide a link to the community from the court; and
5. Provide education to parents about the mediation process, the dependency system, and community resources available.

We selected candidates and provided a 40 hour training. We then began to use Nina McCarthy on an on-call basis. Initially, we were paying her $8.00 per hour, which was the rate we paid all of the potential candidates as they went through the training. Once Nina was chosen as our Mediation Assistant contractor in the summer of 1998, she was paid $12.00 per hour for her work.

As she has gained experience through her "on the job" training the value of the services she provides our program has become clearly apparent. Not only have her mediation skills improved with time, but she is also able to take on many more responsibilities related to the program as a whole. The value of what she brings to the program as a peer mediator cannot be duplicated by a professional mediator.

In fact, San Francisco is the first juvenile dependency mediation program in the country to provide a Dependency Mediation Assistant. The idea has generated much excitement and discussion in the dependency mediation field when we have presented this aspect of our program at national conferences.

The Need to Create a Position in Place of a Contractor Position

We have concluded, without hesitation, that the pilot program Mediation Assistant has added tremendous value to the Dependency Mediation Program and, therefore, to the court and to the families and children we serve. In order to preserve the unique and irreplaceable attributes that

this peer mediator has been shown to provide, the contractor position should be institutionalized as a permanent position, for a number of reasons:

1. In order to successfully mediate juvenile dependency cases it is critical to establish and nourish trusting relationships with attorneys and child welfare workers who participate in the mediation sessions. This is impossible without an ongoing and predictable presence at the courthouse;

2. The "learning/competency curve" in providing dependency mediation services is quite steep. It is critical that mediators have ongoing experience in order to build on the knowledge and skills of their prior work. This cannot be successfully accomplished on an on-call basis;

3. The change from a contract services mediator to an employment position will allow for predictability for the staffing of mediations. This will give the program more flexibility with regard to meeting the court's needs;

4. A predictable scheduling of mediators' time will also greatly improve our mediators' teamwork with each other, which is a vital component of our co-mediation process;

I hope that this information is helpful to you. Please let me know if I can be of any further assistance to you. I can be reached at (415) 551-3912.

Yours truly,

KIM HARMON, Director
Dependency Mediation Program

cc: Hon. Donna Hitchens
Alan Carlson, Chief Executive Officer
Cheryl K. Martin, Director, Human Resources
Neal Taniguchi, Director, Fiscal Services

Superior Court of California
County of San Francisco

Administrative Office 400 McAllister Street, Room 205, San Francisco, CA 94102-4514 (415) 551-5700

November 30, 1999

Severin Campbell, Budget Analyst
Budget Office
Board of Supervisors
1390 Market Street, Suite 1025
San Francisco, CA 94102

RE: Establishment of a New Classification – Dependency Mediation Assistant, Superior Court of California, County of San Francisco

Dear Ms. Campbell:

You asked that the Superior Court supply you with additional information regarding the rationale for setting the salary for the requested Dependency Mediation Assistant in the Court. I offer the following information:

The class will initially be used, and for the foreseeable future, for only one position. The incumbent will serve in a paraprofessional capacity, assisting professional mediators in the Unified Family Court who perform mediation sessions regarding juvenile dependency matters before the Court. The specific knowledge, skills and abilities we need for job performance as a Dependency Mediation Assistant will require that the incumbent have first-hand knowledge and experience of having children who were made dependents of the court, including being a successful participant in a recovery program. The incumbent should also know how to use court mediation in the juvenile dependency sector and have a knowledge of child abuse and neglect issues. No specific training or job experience is required beyond this criteria, however the experience gained given this criteria is substantial. Court mediators are required to possess a master's degree in a related field and should also be certified mediators. The cost to the court is greatly reduced in obtaining an assistant mediator to assist the certified mediators. In addition, this position brings to the court the first hand knowledge which other mediators do not possess and can provide an invaluable service to parents in the system.

When determining the appropriate salary for such a position, we compared the respective knowledge, skills, abilities, and recruitment and retention requirements of this new classification with existing classes in the Court. We determined that the requirements for specific experience in the dependency courts was a higher criteria than that of our entry and second level clerks. In addition, the independence under which this position would be required to operate in dealing with persons outside the court far exceeded those of clerical staff. The position was much more comparable to a lower level professional classification similar to an Administrative Analyst. The Court does not currently use such a class, but one is planned soon in the reclassification project currently underway in the Court. In that classification plan, there will be two new classifications of Administrative Analyst. These classes are similar to the Administrative Analyst class used

elsewhere in the City and County. Currently the salary for the city's Administrative Analyst class is $1,831-$2,226 bi-weekly, which is reflected as salary schedule number 61.45 . This information was taken from the city's current Compensation Manual. The court's planned Administrative Analyst I classification intended for use in the court was used for comparison with the proposed Dependency Mediation Assistant. That salary is proposed at salary schedule number 61.10 and the range is $1,800 to $2,188. This amount is less than the city's counterpart.

Although the court is currently paying substantially less than this proposed amount under a current contract, the contract amount should not be used for salary setting for a permanent classification. Until the program was tested, it was impossible to predict how the contractor would be fully used and what an appropriate salary level should be. In addition, when the contract was negotiated, the salary to be paid was based upon the incumbent being in training and not yet fully functioning. However, as the court is now contemplating a permanent appointment to perform the required duties, the new classification was reviewed properly in relation to other court classes. As a result, the proposed salary is appropriate when weighed with other existing court classes.

I hope this information is helpful to you in establishing the new position for Dependency Mediation Assistant.

If I can be of further use in obtaining approval of this position, pleases contact me at (415) 551-5725.

Cheryl K. Martin
Director, Human Resources

Cc: Hon. Donna Hitchens
Alan Carlson, Chief Executive Officer
Kim Harmon, Dependency Mediation
Neal Taniguchi, Director, Fiscal Services

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5/99

City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

Members: Supervisors Leland Yee, Mark Leno

Clerk: Mary Red

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, December 15, 1999 **10:00 AM** **City Hall, Room 263**

Regular Meeting

Members Present: Leland Y. Yee, Mark Leno.

Members Absent: Sue Bierman.

Meeting Convened

The meeting convened at 10:09 a.m.

992220 **[Reserved Funds, Mayor's Office]**

Hearing to consider release of reserved funds, Mayor's Office, in the total amount of $1,218,226 (Fiscal Year 1999-2000 Budget), to fund the City's Millennium Safety plan to be participated by the Office of Emergency Services, the Department of Public Health, the San Francisco Police, Sheriff and Fire departments including the Emergency Medical Services. (Mayor)

12/1/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Mathew Hymel, Mayor 's Budget Office; Supervisor Yee; Captain Alex Fagan, Fiscal Division, Police Department; Deputy Chief Gamble, Fire Department; Chief Deputy Jan Dempsey, Sheriff's Department; Supervisor Leno.

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992144 **[Reserved Funds, Mayor's Office of Community Development]**

Hearing to consider release of reserved funds, Mayor's Office of Community Development, (1999 Emergency Shelter Grants Program: Resolution No. 109-99), in the amount of $28,416 to be used by the Metropolitan Community Foundation for its shower program for homeless men and women. (Mayor)

11/18/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; George Smith, Mayor's Office of Homelessness; Supervisor Yee; Supervisor Leno.

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

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SAN FRANCISCO
PUBLIC LIBRARY

992159 **[Civil Filing Fee Increase]**

Supervisor Becerril

Resolution increasing civil filing and appearance fees (from $24 to $27) provided in Business and Professions Code Sections 6321, 6322 and 6322.1 for operation of the Law Library.

11/22/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Marcia Bell, Law Library.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992176 **[Approving amendment to paratransit broker agreement to perform special transportation services such as subcontracting with van and taxi providers for door-to-door paratransit service for persons with disabilities]**

Resolution approving Amendment No. 9 to the Paratransit Broker Agreement between the City and Cerenio Management Group, extending the term of the agreement three months, at an additional cost not to exceed $3,752,622, for a total contract cost not to exceed $83,440,401. (Public Transportation Commission)

11/19/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Annette Williams, MUNI, Supervisor Yee, Supervisor Leno, Ted Lakey, Deputy City Attorney, Nicolas DeLancie, Attorney, Cerenio Management Services; Bruce O., Chair, Paratransit Council.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992203 **[Authorizing PTC as grant recipient of funds on behalf of the Port for its Ferry Building project, to expand ferry service into and out of downtown San Francisco]**

Resolution authorizing the Public Transportation Commission to accept and expend $1,594,500 of Federal Interstate Transfer capital assistance for one Port of San Francisco capital project, excluding administrative overhead costs. (Public Transportation Commission)

11/29/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Gail Bloom, Public Transportation Commission.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992264 **[Request to release $2,723,284 for the Downtown Ferry Terminal]**

Supervisor Katz

Hearing to consider the release of $2,723,184 in reserved funds pending selection of contractors, for the Downtown Ferry Terminal project.

12/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests this item be scheduled for consideration at the December 15, 1999 meeting

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Gail Bloom, Public Transportation Commission.

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

991811 **[Ferry Building Lease and Negative Declaration]**

Resolution approving lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building (The Embarcadero and Market Street) as a mixed use project; approving Negative Declaration. (Port)

(Final Negative Declaration adopted and issued October 1, 1998.)

9/22/99, ASSIGNED UNDER 30 DAY RULE to Finance and Labor Committee, expires on 10/27/1999.

11/3/99, CONTINUED. Continued to November 17, 1999.

11/17/99, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Michael Levine.

Heard in Committee. Speakers: Debra Newman, Budget Analyst's Office; Paul Osmundson, Director, Planning and Development, Port; Supervisor Yee; Ted Lakey, Deputy City Attorney; Supervisor Leno; Molly Marshall, World Trade Club. Amended to add two Further Resolved clauses requiring specific written reports from the Port to the Board of Supervisors. New title.

AMENDED.

Resolution approving lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building (The Embarcadero and Market Street) as a mixed use project; approving Negative Declaration; providing for specific written reports from the Port to the Board of Supervisors. (Port)

(Final Negative Declaration adopted and issued October 1, 1998.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992214 **[Ballot Argument, Parks and Recreation Facilities and Properties]**

Supervisor Newsom

Motion authorizing proponent's ballot argument in favor of Proposition A, a bond measure regarding parks and recreation facilities and properties.

12/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Michael Farrah, Supervisor Newsom's Aide. Opposed: Lloyd Schlaegel.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992215 **[Ballot Argument, California Academy of Sciences]**

Supervisor Yaki

Motion authorizing proponent's ballot argument in favor of Proposition B, a bond measure regarding California Academy of Sciences.

12/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Patrick Kociolek, Director, California Academy of Sciences. Opposed: Lloyd Schlaegel.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992154 **[Suspension of Muni fares]**

Supervisor Newsom

Ordinance approving the suspension of fares on Muni from December 31, 1999 at 8:00 p.m. to no later than 6:00 a.m. on January 1, 2000.

11/22/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

12/6/99, CLERICAL CORRECTION Corrected page 1, line 4, delete "Note This entire section is new", ordinance does not amend a code

Heard in Committee. Speakers: Harvey Rose, Budget Analyst, Michael Farrah, Supervisor Newsom's Aide, Laura Spanjian, MUNI; Supervisor Yee

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992196 **[Reserved Funds, Department of Public Health]**

Hearing to consider release of reserved funds, Department of Public Health, (Fiscal Year 1999-2000 Budget) in the amount of $270,000, to fund professional services to establish Parent Helpline Program, for the Children's Mental Health Initiative. (Department of Public Health)

11/29/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers Harvey Rose, Budget Analyst, Anne Okubo, Department of Public Health

APPROVED AND FILED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992193 **[Permitting non-City workers to perform work for the City because non-City workers can perform work at a lesser cost than City employees - Public Parking Management Services at the Airport]**

Resolution approving the Controller's certification that Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 1999 than if work were performed by City employees at budgeted levels. (Airport Commission)

11/24/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers. Harvey Rose, Budget Analyst, Jon Ballestros, Airport. Amended to provide retroactivity. New title.

AMENDED.

Resolution approving retroactively, the Controller's certification that Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 1999 than if work were performed by City employees at budgeted levels. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992194 **[Permitting non-City workers to perform work for the City because non-City workers can perform work at a lesser cost than City employees - Employee Parking Management Services at the Airport]**

Resolution approving the Controller's certification that Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1, 1999 than if work were performed by City employees at budgeted levels. (Airport Commission)

11/24/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballestros, Airport. Amended to provide retroactivity. New title.

RECOMMENDED.

Resolution approving retroactively, the Controller's certification that Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost for the year commencing July 1,1999 than if work were performed by City employees at budgeted levels. (Airport Commission)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

991869 **[Approving amendment to the Post-Security Master/Retail Duty Free Concession Lease for the New International Terminal]**

Resolution approving Post-Security Master Retail/Duty Free Concession Lease between DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

9/30/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

10/22/99, SUBSTITUTED. Substituted by Airport Commission 10/22/99, bearing new title.

10/22/99, ASSIGNED to Finance and Labor Committee.

11/3/99, CONTINUED. Heard in Committee. Harvey Rose, Budget Analyst; Peter Nardoza, Deputy Director, Airport; Supervisor Yee. Continued to November 10, 1999.

11/10/99, CONTINUED TO CALL OF THE CHAIR.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Ballestros, Airport; Supervisor Yee.

RECOMMENDED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

991564 **[City Employees Commuter Check Benefits]**

Supervisor Ammiano

Hearing to consider how to provide commuter check benefits to encourage public transit use by City employees.

8/9/99, RECEIVED AND ASSIGNED to Finance and Labor Committee.

Continued to January 12, 2000.

CONTINUED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

992236 **[Increasing Tenant Relocation Benefits]**

Supervisor Ammiano

Draft ordinance (amends Administrative Code Section 37.9A) concerning tenant rights in certain displacement, providing for relocation benefits of $4,500 to low-income, elderly and disabled tenants.

(Amends Section 37.9A.)

12/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests this matter be scheduled at the December 15, 1999 meeting.

Continued to Special meeting of December 20, 1999

CONTINUED by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

SPECIAL ORDER - 11:00 a.m.

992015 **[Family Child Care Providers]**

Supervisor Yee

Hearing to consider issues faced by San Francisco Family Child Care providers, including receiving referrals from the San Francisco resource and referral agencies, receiving funds for facilities upgrades and receiving professional/business development assistance.

10/25/99, RECEIVED AND ASSIGNED to Finance and Labor Committee

Heard in Committee. Speakers: Deborah Alverez, Director, Department of Children, Youth and Their Families, Supervisor Yee, Supervisor Leno, Will Lightbourne, Director, Human Services, Mable Seto, Amy Yam; Lili Hui.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Yee, Leno
Absent: 1 - Bierman

ADJOURNMENT

The meeting adjourned at 1:00 p.m.

Public Library, Gov't Information Ctr.. 5th Flr.
Attn: Susan Hom, Dept. 41

.254

15/99

CITY AND COUNTY OF SAN FRANCISCO

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BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

December 10, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: December 15, 1999 Finance and Labor Committee Meeting

Item 1 - File 99-2220

Department: Mayor's Office
Police Department
Sheriff
Fire Department
Department of Public Health

Item: Hearing to consider the release of $1,218,226 reserved in the Fiscal Year 1999-2000 budget for the City's Millennium Safety plan.

Amount: $1,218,226

Source of Funds: General Fund

Description: The Fiscal Year 1999-2000 budget, as finally adopted by the Board of Supervisors and the Mayor, includes a General Fund reserve of $1,218,226 for Millenium Event Safety to fund additional public safety and medical services for New Year's Eve 1999 and New Year's Day 2000. Mr. Matthew Hymel, the Mayor's Director of Finance has proposed a release of these reserved funds for the following departments and expenditures:

Proposed Allocation of Reserved Funds for Millenium Event Safety

Department	Overtime Expenditures	Non-Salary Expenditures	Total Expenditures
Police Department	$ 600,000	$63,000	$663,000
Sheriff's Department	228,482	50,000	278,482
Fire Department	116,282	12,000	128,282
Public Health	112,462	36,000	148,462
Total	$1,057,226	$161,000	$1,218,226

A description of anticipated minimum expenditures for each department follows.

Police Department

The Police Department expended approximately $450,000 for Police overtime during the January 1, 1999 New Year's Eve celebrations. Deputy Chief of Police William Welch states that all leaves and days off have been canceled for the period of 6:00 am December 31, 1999 to 6:00 am January 1, 2000 for all sworn and civilian personnel in the Police Department and that all Police Department personnel will be deployed for police services during that time. This deployment represents the Police Department's "minimum staffing" for the Millenium Event.

Attachment 1 from Captain Alex Fagan, head of the Police Department's Fiscal Division, explains that the Police Department's minimum costs will be $600,000 for overtime and an additional $214,975 in other costs, for total expenditures of $814,975. Captain Fagan adds that, should public safety requirements for additional police personnel extend through January 2, 2000, as much as an additional $1,200,000 would be required for Police Overtime.

The Police Department's total minimum expenditures of $814,975 exceed the proposed $663,000 amount allocated to the Police Department budget from the Millenium Event Safety reserve by $151,975. (See Comment 2.)

Sheriff's Department

Attachment 2, provided by Ms. Jean Mariani of the Sheriff's Department, describes the department's deployment plans for the period of December 30, 1999 through January 2, 2000.

Increased overtime staffing will be assigned to open the Treasure Island jail facility on a temporary basis to house a portion of the current Hall of Justice jail population to make room for new arrestees. In addition to staffing for a large number of arrestess and an increased jail population during the millenium celebration period, the Sheriff's Department plans to staff an emergency services unit to provide Police Department support.

The Sheriff's Department's estimated cost for providing such staffing is $427,776 in overtime expenditures and $68,173 for non-salary costs (also detailed in Attachment 2) for total anticipated expenditures of $495,949 or $217,467 more than the $278,482 amount allocated from the Millenium Event Safety reserve. (See Comment 2.)

Fire Department

Ms. Debra Ward, Chief Financial Officer of the Fire Department reports that the following personnel will be assigned to extra duty for Millenium Event Safety between December 31, 1999 and January 1, 2000.

Unit	Number of Firefighter Personnel	Overtime Expenditures
Prevention	16	$ 8,912
Investigation	7	4,512
Suppression and Emergency Medical Services (EMS)	114	112.141
Total	137	$125,565

Of the 114 additional Firefighter personnel who will be assigned to Suppression and EMS, 22 will be assigned to staff or provide supervision for six additional ambulances. The total number of ambulances on duty will be 27, and ten Paramedic Captains will be assigned for supervision. Expenditures for materials, supplies and equipment are expected to total $12,000. Minimum Fire Department expenditures are therefore $125,565 for overtime and $12,000 for materials, supplies and equipment, for a total of $137,565 or $9,283 more than the allocation of $128,462 from the Millenium Event Safety reserve. (See Comment 2.)

Public Health

Ms. Monique Zmuda, Chief Financial Officer of the Department of Public Health, explains in Attachment 3 that minimum additional costs for increased medical services is $148,462. Additional overtime staffing will be used for Field Care Clinics, Jail Health Services, Urgent Care Services, Emergency Trauma Services and Surgical, Critical Care and Medical/Surgical service units. Ms. Zmuda adds that such costs could increase beyond this estimate if the volume and severity of patient contacts is more than expected.

Comments:

1. In summary, total minimum expenditures for Millenium Event Safety will exceed the amounts allocated to each Department from the Millenium Event Safety reserve by $378,725 as shown in the table below.

Department	Amount Allocated From Reserve	Minimum Anticipated Expenditures	Difference
Police Department	$ 663,000	$814,975	$151,975
Sheriff's Department	278,482	495,949	217,467
Fire Department	128,282	137,565	9,283
Public Health	148,462	148,462	-
Total	$1,218,226	$1,596,951	$378,725

As previously noted, the minimum anticipated expenditures shown in the table above could increase depending on the actual need for public safety and medical services during the millenium weekend.

2. According to Mr. Hymel, the Mayor's Office of Finance intends to work with each of the departments to determine the extent to which actual excess expenditures related to public safety and medical services during the millenium weekend can be absorbed within their respective FY 1999-2000 budgets. Mr. Hymel adds that, regardless of expenditures for the millenium weekend, he currently anticipates the need for a supplemental appropriation for the Sheriff's Department for FY 1999-2000 because of deficit spending, primarily for sworn overtime costs.

Recommendation: Approve the proposed release of $1,218,226 in reserved funds for Millenium Event Safety.

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103

FRED H. LAU
CHIEF OF POLICE

December 9, 1999

Mr. Ken Bruce
Board of Supervisors Budget Analyst Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Dear Mr. Bruce:

As per your request, the estimated cost for providing police service for the New Year's celebrations planned for Friday, December 31, 1999 is $600,000. This cost provides 2,000 sworn and civilian personnel for a projected average minimum of 6 hours of overtime at an average cost of $50.00 per hour. As a comparison, the past several New Year's celebrations have required 1,000 officers and civilian personnel at a cost of approximately $450,000.00. Our department's plan is designed to provide enhanced levels of staffing through January 2, 2000 if the situation dictates. Assuming the department remained at full deployment through January 2nd overtime costs could increase by an additional $600,000 for a total cost of $1.2 million dollars. It should be noted that the plan is designed to allow the command staff to adjust the staffing based on the situation at hand.

The $600,000 covers the estimated overtime incurred to provide a minimum staffing for the 24 hours period commencing 0600 hours December 31, 1999. The department is planning to provide police services for 11 different venues, which includes: Union Square, Bill Graham's Civic Auditorium, Davies Symphony Hall, The Embarcadero, City Hall, Union Street, Polk Street, Castro Street, the South of Market area, Broadway area, Fisherman's Wharf, and the Metreon/Yerba Buena Gardens as well as to provide police support for any unplanned events.

Mr. Ken Bruce
Board of Supervisors Analyst Office

Page 2
December 9, 1999

Enclosed are DPW work order items and equipment totaling $58,981.00 to provide services at Pier 31 previously Pier 29. We expect an expenditure of an additional $4,000 on disposal supplies for this venue. Also enclosed is a breakdown of additional equipment purchased by this department for the New Year's celebration totaling $155,994. This department is working with the Mayor's Office to determine how this additional cost will impact the operating budget of our department.

If you have any additional questions concerning the above please feel free to contact me directly at 553-9177.

Sincerely,

ALEX E. FAGAN
Fiscal Division

Enc.

Property Control Division
Supplies For New Year's Eve - COST SUMMARY

ITEM	STATUS	COST
Athletic Bags (For Mass Arrest Kits)	Researching	TBD
Antiseptic Towelettes	In Stock	$42.00
Arrest Form SFPD 80	In Stock	$40.00
Batteries - Size D	In Stock	$3,160.00
Black Markers	In Stock	$35.00
Booking Gloves	In Stock	$476.00
Bullhorns	In Stock	$14,451
Certificate of Release SFPD 184	In Stock	$268
Clipboards	In Stock	$41
Ear Plugs	In Stock	$148
Field Arrest Cards	In Stock	$60
Fingerprint Pads	In Stock	$400
First Aid Kits	On Order	$11,266
Flares	In Stock	$4,881
Flashlights	In Stock	$30,000
Flexcuffs & Cutters	In Stock	$24,947
Floppy Discs	In Stock	$29
Loud Hailers	On Order	$12,798
Message Pads	In Stock	$125
Pencils	In Stock	$8
Pens	In Stock	$14
Polaroid Cameras	In Stock	$1,305
Polaroid Film	In Stock	$23,627

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Property Control Division
Supplies For New Year's Eve - COST SUMMARY

ITEM	STATUS	COST
Police Banner Tape	In Stock	$570
Post-It Notepacs	In Stock	$69
Property Receipt Forms SFPD 315	In Stock	$24
Tape Recorders	In Stock	$355
Tape Cassettes	In Stock	$144
Trash Bags	In Stock	$170
Video Cameras	On Order	$10,145
Video Cassettes	On Order	$40
Drinking Water - Individual	In Stock	$1,313
Water - Sterile	In Stock	$228
Breath of Life Resuscitator Bag	In Stock	$1,758
Latex Gloves	In Stock	$48
SofCling Non-sterile Gauze 4"x75"	On Order	$117
Gauze Sponges Non-Sterile	On Order	$13
Triangular Bandages Non-sterile	On Order	$213
Ice Packs, Reusable 6" x 9"	On Order	$122
"Sam" splints	On Order	$1,432
Fire Extinguishers, 10lbs.	On Order	$6,445
Locked Storage Bins	On Order	$4,637
		TOTAL $155,964

2

TO: Captain Timothy Hettrich #1696
Commanding Officer Planning Division

FROM: Officer Daniel A. Hampton #1793
Planning Division

Date: 9/29/99

Subject: Costs for New Year's Special Event-D.P.W. WILL ORDER ITEMS BELOW

1. Pier 29, Building 606, and T.T.F., Marina Command (7 generators, four 125 kw and three 40 kw).	$4,015.00
Cables and connections materials for all 5 sites. $2k per site.	$10,000.00
One electrician for Pier 29, 12 hours New Years Eve	$705.00
One electrician for Bldg 606, 12 hours New Years Eve	$705.00
25 tri-pod type flood lights at $45.00 each.	$1,125.00
60 light towers with 10 kw generators, at $343.00 each.	$20,580.00
Labor for electricians to prep 5 sites for equipment hook up.$1876 each	$9,380.00
55 gallon fuel barrels and hand pumps (refueling at 4 sites).$660 each	$2,640.00
TOTALS:	$49,150.00
Tents rented from Special Events Inc.	$9,831.00
Total	$58,981.00

Sites:
1. Pier 29 Warehouse———Deploy one 125kw and one 40 kw generator
2. Pier 29 Tent Site
3. Tenderloin Task Force——Deploy one 40 kw generator
4. Marina Command———Deploy one 40 kw gen,, hardwire ten and van
5. Building 606———————Deploy two 125 kw generators
6. Police Academy-———Deploy one 125 kw gen., childcare

SAN FRANCISCO SHERIFF'S DEPARTMENT
DEPLOYMENT PLANS FOR MILLENNIUM EVENTS
DECEMBER 30 - JANUARY 3, 2000

In preparation for the millennium events scheduled for December 31, 1999, the Sheriff's Department plans the following deployment activities in order to provide staff for the San Francisco Police Department and provide housing for up to 1000 arrestees:

December 30, 1999: A housing pod at CJ#8 will be moved to the Treasure Island facility to make 100 beds available for arrestees. Staff assigned will begin 12 hour shifts at 0600 on this date. Additional staff will be on duty beginning at 1600 HRS. to provide increased Station Transfer pickups as needed should activities begin on this date.

December 31, 1999: All Sheriff's Department personnel begin 12 hour shifts. One group will begin the shift at 0600 HRS. to set up the Hall of Justice basement for the housing of arrestees. Another shift will start at 0600 HRS. to complete the set up of Pier 31 for the housing of arrestees. The majority of Sheriff's personnel will begin the 12 hour shift at 1800 HRS. 100 Emergency Services personnel will be assigned to the Police Department for additional street security.

January 1, 2000: The department will assess the actual numbers of arrestees to determine how to continue the safe housing of those who must remain in custody. The Emergency Services personnel will be scheduled to report at 1800 HRS. for the continued support to the Police Department. Whether or not these personnel will be needed will be determined by the Police Department based on activities planned for January 1.

January 2, 2000: If jail space allows, the department will begin to move prisoners from Treasure Island back to CJ#8. Whether or not this will happen will be based on the number of arrestees, the overall jail population, and continued millennium related events. If the Treasure Island facility can be closed on this date, Sheriff's Department personnel will begin rotating out of the 12 hour shift at 1600 HRS.

January 3, 2000: All Sheriff's Department personnel should be on regular duty hours and normal shifts. Whether or not this will be possible will depend entirely on the number of arrestees still in custody and the overall jail population.

(based on information available as of 12/6/99)

Description	CJ#9	Pier 31	HOJ	Total Quantity	Unit Price	Total Estimate
Biohazard kits		2	4	6	$ 50.00	$ 300
Bolt cutters	1	1	2	4	87.00	348
Bull horns	2	2	2	6	25.00	150
Chain - feet		100	200	300	8.00	2,400
Cyclone fencing			50	50	46.00	2,300
Fax machine		1	1	2	789.00	1,578
Film - packs	25	25	100	150	14.81	2,222
Fire extinguishers		4	8	12	51.00	612
Flashlight batteries	100	100	600	800	0.50	400
Flex cuffs	400	400	1000	1800	0.44	785
Folding tables 18" x 5'	8	8	20	36	130.19	4,687
Garbage bags - 13 gal		50	50	100	0.04	4
Garbage bags - 50 gal		25	100	125	0.25	31
Garbage dumpster/service			1	1	1,000.00	1,000
Leg irons - sets		2	2	4	46.00	184
Mattresses	10	160	325	495	49.09	24,300
Meals (Aramark)	500	1500	4000	6000	0.99	5,940
Padlocks w/master key		3	20	23	6.95	160
Paper towels - rolls	100	100	200	400	0.74	298
Plastic chairs	15	25	50	90	15.00	1,350
Plastic gloves - pairs	400	400	400	1200	0.03	41
Polaroid cameras	4	4	4	12	80.67	968
Portapotties	8		26	34	55.79	1,897
Porters				0		8,383
Sawdust - 2 cu ft sacks		10	10	20	2.04	41
Signs		20	30	50	10.00	500
Telephones - staff & arrestees		13	18	31	n/a	
Toilet paper		30	400	430	0.32	138
Towels	200	200	500	900	0.69	623
Videocameras	1	1	1	3	678.13	2,034
Totals						$ 63,673
Allowance for phones						4,500
Grand Total						$ 68,173

City and County of San Francisco

Department of Public Health

Mitchell H. Katz, M.D.
Director of Health

Memo To: Ken Bruce
Budget Analyst

From: Monique Zmuda
Chief Financial Officer

Re: Millennium Event Planning

In response to the expected Millennium Event, the Department of Health has undertaken a comprehensive, department-wide planning process with other city agencies and private health providers in preparing its response. The overarching goal for this planning process is to ensure the health and safety of all San Franciscans and visitors during the four-day Millennium Celebration. This will be achieved through a coordinated health response utilizing technical preparedness, health prevention messages, disaster preparedness and management, augmentation of current direct care services and the addition of DPH Field Care Clinics at several celebration sites.

The planned medical services during the Millennium week-end are as follows:

Field Care Clinics – Three teams of interdisciplinary staff will augment the Rock Medicine medical intervention teams. The focus of the teams is to provide medical treatment and intervention on site, thereby preventing hospitalization or unnecessary use of the emergency department. The DPH field care clinics will be located at Mission Castro, Broadway/Chinatown, and the Embarcadero areas. Other field care clinics will be deployed in Union Square, Civic Center, Haight Ashbury and additional sites at the Embarcadero areas. These sites will be staffed by Rock Medicine and the Army.

Jail Health Services – The Department will staff all of the City Jails, including the impromptu site set up by the Sheriff at the Pier 31.

Urgent Care Services – The SFGH Urgent Care Center, and a Pediatric Urgent Care center will be operational during the Millennium Event.

Emergency Services – The SFGH Emergency Department will be fully staffed for Level 1 Trauma throughout the week-end. Patients will be triaged to alternative patient care areas if they do not need emergency services.

Surgical Services and Critical Care and Medical/Surgical Units – Operating Rooms, Critical Care Units and Medical/Surgical units will be fully functional during the Millennium period.

The total costs to staff these services will depend upon the volume and severity of illnesses and injuries sustained during the week-end. The Department estimates minimum staffing costs at $148,000. The extent to which costs will increase beyond this estimate is not known at this time. If the volume and severity of patient contacts is more than expected, then the Department will increase its staffing throughout the week-end to adjust to the actual needs.

City and County of San Francisco

Department of Public Health

Mitchell H. Katz, M.D.
Director of Health

Department of Public Health
Estimated Costs of Millennium Event Services

	Amount
Operating Room	22,718
Critical Care Units	10,128
Medical-Surgical In-patient Units	11,471
SNF	4,290
1M In-patient Admitting & Holding Area	9,507
Radiology	3,677
3M Urgent Care Center	17,780
6G OB-GYN Triage	10,884
6M Pediatric Urgent Care	4,625
Emergency Department	12,851
Pharmacy	1,447
Psychiatry	5,254
Patient Discharge Center	2,514
Patient Information & Interpreter Services	1,543
Pier 29 / 850 Bryant Field Care Center	14,632
Castro Field Care Center	6,188
North Beach / Chinatown Field Care Center	6,114
Southeast Health Center Urgent Care	2,489
Public Health Nurse Coverage for Early Newborn Discharge	250
Total	148,462

Item 2 – File 99-2144

Department: Mayor's Office of Community Development (MOCD)

Item: Hearing to consider the release of previously reserved funds from the Emergency Shelter Grant Program, under the 1999 MOCD budget, in the amount of $28,416 to fund the Metropolitan Community Foundation's shower program for homeless persons.

Amount: $28,416

Source of Funds: Previously reserved funds in MOCD's 1999 budget for the Emergency Shelter Grants Program

Description: On February 17, 1999, the Board of Supervisors approved the acceptance and expenditure of $891,000 under the Emergency Shelter Grants Program from the United States Department of Housing and Urban Development, of which $120,350 was placed on reserve for future projects, pending the provision by the MOCD of further budget details on the homeless services to be funded (Resolution No. 109-99).

The subject resolution would authorize the release of $28,416 for the MOCD in previously reserved funds of $120,350 to be used for the Metropolitan Community Foundation, a non-profit agency, to fund its program to provide homeless persons with showers, clothing, snack foods, and toiletries in the weekends. According to Mr. Jon Pon of the MOCD, this program was established in March 1999 by the Metropolitan Community Foundation and provides services to between 90 and 100 homeless persons per weekend. Mr. Pon states that the subject grant of $28,416 would fund the shower program from November 1, 1999 to June 30, 2000.

Budget: The Attachment provided by the MOCD contains a detailed budget to support the proposed expenditure of $28,416.

Comments: 1. According to Mr. Pon, the Metropolitan Community Foundation has previously received (a) $15,000 from the MOCD for FY 1998-99 for meal preparation services, (b)

$7,000 of previously reserved 1999 Emergency Shelter Grant Program funds for kitchen improvements for its meal program for homeless persons in the Castro community, and (c) $18,840 from the Federal Department of Housing and Urban Development's 1997 Community Development Block Grant Homeless Pool to fund its shower program between March 1 and October 30, 1999.

2. Mr. Pon states that the shower program is operated at Mission High School under a Memorandum of Understanding between Mission High School and the Metropolitan Community Foundation. Mr. Pon estimates that 3,060 to 3,400 homeless persons will be provided with services between November 1, 1999 and June 30, 2000.

3. According to Mr. Pon, the MOCD has not yet provided any funds to the Metropolitan Community Foundation for the shower program expenditures incurred since November 1, 1999 by the Metropolitan Community Foundation.

Recommendation: Approve the requested release of reserved funds.

USE OF EMERGENCY SHELTER POOL FUNDS

Project Information

The proposed funding will be used by the Metropolitan Community Foundation for its shower program for homeless men and women. In addition to providing showers at the Mission High School, the program distributes clothing and toiletries. The funding will allow the program to provide services through June 30, 2000.

Proposed Budget

Supervisor/Project Coordinator ($18.00 per hour 15 hours a week)	$9,360
Monitors (female and male) ($12.00 per hour 10 hours a week)	8,320
Fringe Benefits (20%)	3,536
Office Supplies	333
Shower Supplies	1,666
Nutritional Supplement	3,467
Laundry Services	1,734
TOTAL	**$28,416**

Item 3 – File 99-2159

Department: Trial Courts

Item: Resolution increasing Civil Filing and Appearance Fees provided in California Business and Professions Code Sections 6321, 6322 and 6322.1 for operation of the Law Library.

Description: The proposed resolution would increase the fees paid by all parties to a civil lawsuit, as provided in Sections 6321 and 6322 of the California Business and Professions Code, from $24 to $27, a $3 or 12.5 percent increase. Under the proposed resolution, to become effective January 1, 2000, the San Francisco Trial Courts would be authorized and directed to collect the proposed $27 fee for each filing and appearance and to pay such collected fees to the Law Library to support the Law Library's operations.

Ms. Marcia Bell of the Law Library reports that County Law Libraries are established in accordance with State law. According to Ms. Bell, State Business and Professions Code Section 6322.1 permits the Board of Supervisors to annually increase the Law Library civil filing fee by $3 per filing, as long as the increase is excluded from the definition of total civil filing fee. Ms. Bell advises that, if the fee increase was included in the definition of the total filing fee, the effect would be to reduce the portion of the total civil filing fee transmitted to the State Controller for deposit in the Trial Court Trust Fund. The intent of Section 6322.1 is to permit a Law Library fee increase without affecting the Trial Court Trust Fund.

Mr. Neal Taniguichi of the Trial Courts reports that for unlimited jurisdiction civil cases, or cases which exceed $25,000, the total initial civil filing fees are currently $196 and for limited jurisdiction civil cases, or cases which are less than $25,000, the total initial civil filing fees are currently up to $101. Of these total civil filing fees, currently $24 are allocated to the Law Library for their operations. If the proposed resolution is approved, the civil filing fees which are allocated to the Law Library would increase by $3, from $24 to $27. Therefore, the total civil filing fees that are paid by all parties to a civil

lawsuit for unlimited jurisdiction civil cases would increase to $199 and for limited jurisdiction civil cases would increase up to $104.

Comments:

1. Ms. Bell reports that Law Library civil filing fees were increased in January of 1996 by $3, from $18 to $21, and again one year ago, in January of 1999 by $3, from $21 to $24. Last year, when the fee increase was approved, Ms. Bell was not able to project how many years that the then $3 increase would provide adequate revenues to support Law Library operations.

2. According to Ms. Bell, Law Library filing fees vary throughout the State. Ms. Bell reports that Sacramento will have the highest filing fees of $29 beginning in January of 2000 and, that if the proposed resolution is approved, San Francisco would have the second highest Law Library filing fees of $27 beginning in January of 2000. Ms. Bell notes that Marin, Alameda, Santa Barbara and San Diego Counties will have filing fees of $26 and San Mateo and San Luis Obispo Counties will have filing fees of $25 in January of 2000.

3. Ms. Bell projects that in FY 1999-2000, the Law Library will receive a total of approximately $1,289,132 of revenues from the current $24 filing fees. Ms. Bell estimates that the proposed $3 increase in civil filing fees will generate an additional $59,022 during the current fiscal year, or a total of $1,348,154 in revenues. Due to fluctuations in the number of filings during the year, on an annual basis, Ms. Bell expects the $3 increase in filing fees to generate an additional $141,822 in revenues, or a total of $1,430,954.

4. Ms. Bell advises that the proposed increased fees would be used by the Law Library to offset increased costs of legal publications, improve electronic services and to set aside funds for the Law Library's move from their current location in the Veterans Building to another facility in 2002.

5. According to Ms. Bell, although the Board of Supervisors must approve the proposed increase in fees for the filing fees for the Law Library, in accordance with State law, the civil filing fee revenues that are generated

from such fees are disbursed by the Law Library Board of Trustees and are not subject to appropriation approval by the Board of Supervisors. As shown in the Attachment, the Law Library is projected to receive a total of $1,478,321 of Non-General Fund revenues in FY 1999-2000, of which an estimated $1,348,154, if the proposed resolution is approved or 91 percent, would be generated from these filing fees. Ms. Bell advises that all of these $1,478,321 revenues are subject only to appropriation approval by the Law Library Board of Trustees. However, the Budget Analyst notes that the projected Non-General Fund revenues of $1,478,321, which includes the proposed $3 increase that is projected to generate $59,022 in FY 1999-2000, would result in $96,953 more than the Law Library's budgeted Non-General Fund expenditures of $1,381,368. In response, Ms. Bell advises that she has not revised the FY 1999-2000 budget to reflect unanticipated expenses of approximately $40,000 for temporary employees to replace two employees currently on catastrophic leave and two other employees currently on maternity leave.

In addition, an annual General Fund appropriation to support the Law Library is approved by the Board of Supervisors, which totaled $393,713 in FY 1999-2000. Ms. Bell advises, that the General Fund contribution is primarily used to support three Law Library positions, and Department of Technical Information Services (DTIS) activities. If the proposed resolution is approved, the revenues generated for the Law Library will total $1,872,034 ($1,478,321 in fees, interest and miscellaneous income plus $393,713 in General Fund revenues).

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Law Library Budget FY 1990-00
(Non-General Fund)

Filing Fee Income:	Original Budget	Estimated $3 Increase	Revised Budget
Superior Court	934,006		
Municipal Court	355,126		
Total Filing Fees	1,289,132	59,022	1,348,154
Miscellaneous Income:			
Interlibrary Loan Fees			66,817
Investment Interest			40,250
Checking & Savings Interest			700
Copiers & Fax			21,900
Miscellaneous			500
Total Miscellaneous Income			130,167
Total Revenue			1,478,321
Operating Expenses:			
Salaries			430,937
Health Insurance			48,157
Retirement Fund			54,000
Books & Multimedia Materials			505,110
Bookbinding			12,000
Contract/Consultant Services			13,200
Furniture & Equipment			3,923
Insurance			16,390
Library Systems Maintenance			29,260
Materials & Supplies			4,500
Miscellaneous			2,700
Payroll Taxes			30,000
Postage & Delivery			1,000
Public Relations			2,000
Rent Branch			60,000
Repairs & Maintenance			500
Training & Prof. Affiliations			14,000
Westlaw Expenses			1,000
Automation Project			152,151
Total Expenses			1,381,368

Item 4 – 99-2176

Department: Public Transportation Commission (PTC)

Item: Resolution approving Amendment No. 9 to the Paratransit Broker Agreement between the City and Cerenio Management Group (CMG), extending the term of the agreement three months, at an additional cost not to exceed $3,752,622, for a total contract cost not to exceed $83,440,401.

Purpose of Amendment: To extend the existing Paratransit Broker Agreement between the City and Cerenio Management Group (CMG) for three months, from January 1 to March 31, 2000. The subject extension would permit the Public Transportation Commission to complete the selection process of a Paratransit Broker for a new five-year contract without interrupting existing paratransit services.

Extended Term: January 1 to March 31, 2000 (three months)

Additional Cost: Up to $3,752,622.

Source of Funds: Funding for the subject contract extension comes from the same five sources of the total contract cost of $83,440,401. The five sources annually contribute the following percentages of funding for the Paratransit Broker Agreement: General Fund (41 percent); San Francisco County Transportation Authority (44 percent); Commission on the Aging (5 percent); State Transit Assistance (4 percent); and Bay Area Rapid Transit (6 percent). For this contract extension, the General Fund would pay for $1,538,575 (41 percent) of the total cost of $3,752,622 which was previously approved in Muni's FY 1999-2000 budget.

Description: Paratransit services are door-to-door taxi and van services for City residents who have difficulty in using Muni and who are elderly or disabled and are certified for such services based on Americans with Disabilities Act eligibility criteria.

On June 17, 1991, the City entered into a five-year Paratransit Broker Agreement with Cerenio Management Group (CMG), a private company. The Agreement commenced on October 1, 1991 and was due to expire on June 30, 1996. Under the Agreement, CMG performs special transportation services including subcontracting with van and taxi providers for door-to-door paratransit service for persons with disabilities. The term of the Agreement was subsequently extended by three years to June 30, 1999 to ensure a smooth implementation of the paratransit service requirements of the Americans with Disabilities Act.

In November of 1998, Muni issued a request for proposals for a new 5-year Paratransit Broker Agreement, for the period beginning July 1, 1999 through June 30, 2004. Three companies submitted proposals and two of the companies, CMG (the current contractor) and Intelitran, were selected as finalists by Muni. In February 1999, an evaluation committee appointed by the PTC and consisting of two consumer representatives, two transit professionals outside of San Francisco, and one Muni representative scored each proposal (Attachment I contains a list of the persons appointed to the evaluation committee). The scoring process resulted in a very close point spread between the two bidders with CMG receiving the greater number of total points (CMG=821 points; Intelitran=811 points), but with Intelitran receiving a higher rating by a majority of the committee members. According to Ms. Annette Williams of Muni, as a result of the close point spread between the two proposers, Muni initiated contract negotiations with both bidders and requested each bidder to propose measures to address the weaknesses that were identified by the evaluation committee. Based on the results of the contract negotiations, Muni staff recommended that Intelitran be awarded the contract .

However, according to Ms. Williams, in order to ensure a fair selection process, the Public Transportation Commission (PTC) directed that a new evaluation team, including an additional consumer representative, to re-evaluate the proposals and all additional materials submitted by each proposer as part of the earlier

negotiations. In July 1999, the second evaluation committee reviewed the proposals and also recommended that the contract be awarded to Intelitran (Intelitran=929 points; CMG=865 points). (Attachment I also contains a list of the persons appointed to the second evaluation committee).

Meanwhile, the term of the current Agreement with CMG was extended by the PTC for four months, from July 1, 1999 to October 31, 1999, and subsequently for an additional two month period, from November 1, 1999 to December 31, 1999, in order to permit completion of the selection process of a contractor for a new five-year Paratransit Broker Agreement.

Ms. Williams advises that to date the PTC has not made a decision on the award of a new 5-year Paratransit Broker Agreement. Therefore, the PTC is requesting the subject three-month extension, from January 1, 2000 to March 31, 2000. According to Ms. Williams, the requested amendment to the Agreement should provide the PTC with the time required to select a contractor for the new 5-year Paratransit Broker Agreement which was originally to be effective July 1, 1999 and allow a smooth transition between contractors, if necessary, without interrupting existing paratransit services.

The proposed extension would bring the total term of the current Agreement with CMG to eight years and nine months. Under the proposed resolution, additional costs are not to exceed $3,752,622 for the three-month Agreement extension, for a total contract cost not to exceed $83,440,401 for the total five years and nine months term of the Agreement with CMG.

Budget:

The proposed amendment to the current Paratransit Broker Agreement provides for payment of up to $3,752,622 to CMG. According to the PTC, the total cost to provide paratransit services during the 3-month period from January 1, 2000 to March 31, 2000 is estimated at $3,570,298. The proposed amendment would also pay CMG up to $31,824 for increased costs for rent, salaries and insurance incurred by CMG during the two-month period of the prior contract extension (November 1, 1999

to December 31, 1999). (See Comment No. 1). In addition, up to $150,500 would be provided, if necessary, to pay for CMG's lease for the 7-month period from April 1, 2000 to September 31, 2000, which is beyond the term of the subject Agreement extension (See Comment No. 2).

A budget for the Agreement amendment of $3,752,622 is as follows:

Prior Agreement Amendment	
November 1, 1999 to December 31, 1999	
Increased lease costs (2 mos. @ $5,000/mo.)	$10,000
Increased salaries (2 mos. @ $8,712/mo.)	17,424
Increased insurance costs (2 mos. @ $2,200/mo.)	4,400
Subtotal	$31,824
Proposed Agreement Amendment	
January 1, 2000 to March 31, 2000	
Total contract costs to provide paratransit services for the three month extension	3,570,298
Post-Proposed Agreement Amendment	
April 1, 2000 to September 31, 2000	
Balance of CMG lease payments (7 mos. @ $21,500/mo.)	150,500
TOTAL	$3,752,622

Comments:

1. According to Ms. Williams, the Public Transportation Commission has agreed to pay CMG for increased rent (see Comment No. 2), an 11 percent increase in CMG administrative salaries, and increased insurance costs under the prior extension of the Paratransit Broker Agreement for the two-month period from November 1, 1999 to December 31, 1999 because CMG would not agree to the subject contract extension through March 2000 without the assurance that their administrative cost increases since November 1999 would be paid, as explained in the memo from Ms. Williams shown in Attachment II.

2. According to Mr. Steve Alms of the Department of Real Estate, CMG's lease for its office space at 5 Freelon Street expired on September 31, 1999. Mr. Alms advises that the minimum lease renewal permitted by the landlord was one year, commencing November 1, 1999, at a monthly rate of $21,500 which is $5,000 more than the previous monthly rental rate of $16,500.

Under the proposed Agreement extension, in addition to reimbursing CMG for the monthly rental payments for the subject extension period of January 1, 2000 to March 31, 2000, the PTC would agree to: (a) reimburse CMG an additional $10,000 ($5,000 per month) for increased rental costs during the prior two-month Agreement extension from November 1, 1999 to December 31, 1999, and (b) pay CMG an additional $150,500 ($21,500 per month) for the seven-month balance of the lease from April 1, 2000 to October 31, 2000, beyond the term of the subject Agreement extension which the PTC has determined to be, "...a reasonable choice considering the importance of the paratransit service," as stated by Ms. Williams in Attachment II. According to Ms. Williams, such lease payments would only be made if the landlord does not agree to find a new tenant to lease the property during this period. Furthermore, Ms. Williams states that given the strong real estate market in the area, it is anticipated that the landlord would be willing to re-lease the property.

3. Ms. Williams reports that, of the $3,752,622 for the Agreement extension, $3,085,080, or approximately 82 percent, is designated for payment to the subcontractor van and taxi companies as identified in Attachment III, provided by Ms. Williams. The remaining $667,542, or approximately 18 percent, is for CMG's administrative costs.

4. The Budget Analyst raises the following concerns about the proposed Paratransit Broker Agreement between the City and CMG: (1) the PTC has still not awarded the new 5-year Agreement and the current Agreement with CMG has previously been extended twice (for a total of seven months) in order to allow time for the PTC to select a contractor even though two previous selection reviews have resulted in the recommendation that Intelitran be awarded the contract; (2) the proposed Agreement extension would retroactively pay CMG $31,824 for rent, salary, and insurance costs incurred during a prior Agreement extension at rates higher than those agreed to under that prior extension; and (3) the proposed Agreement extension would pay CMG $150,500 for the

seven-month balance of its lease from April 1, 2000 to October 31, 2000, a period which is beyond the term of the subject Agreement extension. Therefore, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Paratransit Broker Services Contractor Selection

Committee #1

1. Griffith Humphrey, Paratransit Coordinating Council
2. Karen Young Simmons, Paratransit Coordinating Council
3. Ann Flemer, Metropolitan Transportation Commission
4. Priscilla Kays, Sacramento Regional Transit
5. Nancy Whelan, MUNI

Committee #2

1. Vincent Behan, Paratransit Coordinating Council
2. Debbie Mackin, Paratransit Coordinating Council
3. Laurie Hodas, Paratransit Coordinating Council
4. Cynthia Petersen, Golden Gate Transit
5. James Albert, MUNI

San Francisco Public Transportation Department
949 Presidio Avenue, San Francisco, CA 94115 415.673.6864

MEMORANDUM

To: Monique DeJong
Budget Analyst Office

From: Annette Williams AW
Accessible Services

Date: December 8, 1999

Subject: Paratransit Broker Contract Extension

The purpose of this memo is to explain the administrative cost increases authorized by the PTC retroactively for Ceremio Management Group (CMG) for the period of November 1 – December 30, 1999. CMG would not agree to an extension of their contract through March without the assurance that their administrative cost increases since November,1999 would be covered. The increases were negotiated with CMG in order to guarantee that paratransit service in San Francisco would not be interrupted. They represent actual cost increases incurred by CMG to extend their services until March 2000, and will be paid based on verified expenses incurred.

Based on analysis of market trends in the South of Market area conducted by the Real Estate Department, rent increases for CMG have been deemed reasonable. Signing a one-year lease is assessed as a reasonable choice considering the importance of the paratransit service. CMG has repeatedly stated that the landlord would accept no less than a one year lease. Interruption of the paratransit service is not a viable option.

The CMG salary increases are based on the salary levels proposed by CMG for a new five year contract. The term of the new contract should have begun in July 1999, per the RFP schedule. CMG stated that they could not retain their employees through the contract extension period without these increased salary levels.

Please find below a list of the van and taxi company subcontractors used by CMG, as per your request.

Van:
MV Transportation
IPS/Laidlaw
Delancey Street Foundation
Centro Latino
John King Senior Center
Kimochi
Shanti
Continuum HIV Day Services

Taxi:
Yellow Cab
Luxor Cab
DeSoto Cab
National Cab
Town Taxi
Serra Cab
Pacifica Cab
Colma Cab
Black and White Checker Cab

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Memo to Finance and Labor Committee
December 15, 1999 Finance and Labor Committee Meeting

Items 5 and 6 - Files 99-2203 and 99-2264

Departments: Public Transportation Commission (PTC)
Port

File 99-2203

Item: Resolution authorizing the Public Transportation Commission to accept and expend $1,594,500 of Federal Transit Administration Interstate Transfer Capital Assistance grant funds to fund a construction contract for the Port's Ferry Terminal Project.

Amount: $1,594,500

Source: Federal Transit Administration (FTA)

Required Match: $281,382

Grant Award Period: According to Ms. Gail Bloom of the Public Transportation Commission (PTC), there is no date by which the FTA grant monies must be expended.

Indirect Costs: Although the FTA allows for the inclusion of indirect costs, the PTC is requesting a waiver of indirect costs so that the entire grant amount of $1,594,500 can be used for direct project costs.

File 99-2264

Item: Hearing to consider the release of reserved funds in the amount of $2,723,184 to fund a construction contract for the Port's Ferry Terminal Project.

Amount: $2,723,184

Source: California Transportation Commission

Files 99-2203 and 99-2264

Description: The Port's Ferry Terminal Project is an approximately $13,457,437 capital improvement project, which includes constructing a new South Terminal, relocating the existing North Terminal, constructing a breakwater, and

expanding the existing berthing docks. This project would make the Port's Ferry Terminal the hub for increased ferry service in the Bay Area.

The subject $1,594,500 FTA grant is the final of four FTA grants, totaling $6,344,500, received by the City to be used for the Port's Ferry Terminal Project (Files 98-62, 99-1431, and 99-2018).

The subject $2,723,184 reserved funds, which come from a California Transportation Commission grant for capital improvements for the Port's Ferry Terminal, were placed on reserve by the Board of Supervisors in May of 1993, pending selection of a contractor and submission of budget details (File 144-98-4).

Budget:

A summary budget for the Port's Ferry Terminal Project is as follows:

Relocation of the North Terminal, Construction of the new South Terminal, and Dock Expansion	$10,089,696
Breakwater	3,367,741
Total	$13,457,437

The requested grant funds of $1,594,500 and the release of reserved funds of $2,723,184 would partially pay for the costs of the $13,457,437 Ferry Terminal Project.

Comments:

1. According to Ms. Veronica Sanchez of the Port, the Port has received a total of $13,457,437 in Federal and State funds, including $6,344,500 in Federal funds and $7,112,937 in State funds, for the Port's Ferry Terminal Project. Attachment I, provided by the Port, lists the funding sources in the amount of $13,457,437 to support the Port's Ferry Terminal Project, including the subject grant funds of $1,594,500 and the previously reserved funds of $2,723,184.

2. Ms. Sanchez states that the Port will award a construction contract in the amount of $10,089,696 to Miller Thompson Constructors, which submitted the lowest bid in a competitive bidding process, upon Board of Supervisors approval of the proposed resolution and

release of reserved funds, and Port Commission award and Controller certification of the construction contract.

3. Ms. Sanchez states that the $2,723,184 in reserved funds would be expended on construction of the North and South Ferry Terminal floats and ramps, as shown in Attachment II, as part of the $10,089,696 construction contract.

4. Ms. Sanchez states the required match to the $1,594,500 FTA grant in the amount of $281,382 would be provided by California Transportation Commission funds, which are part of the $13,457,437 in total funding for the Port's Ferry Terminal Project, as explained in Attachment I.

5. Attachment III is the Grant Application Information Form prepared by the PTC.

6. The PTC has filed a copy of the Disability Access Checklist with the Clerk of the Board of Supervisors.

Recommendation: Approve the proposed resolution (File 99-2203) and release the requested reserve for $2,723,184 (File 99-2264).

PORT OF SAN FRANCISCO

Ferry Building
San Francisco, CA 94111
Telephone 415 274 0400
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Cable SFPORTCOMM
Writer

DOWNTOWN FERRY TERMINAL CONSTRUCTION CONTRACT		
1. FUNDING SUMMARY		
Federal Funds		
FTA Section 3 (formerly Sec. 1064)	$	2,400,000.00
FTA Section 9(formerly STP-G)	$	1,000,000.00
FTA Section 9 (formerly (TEA#2)	$	850,000.00
FTA Title 23	$	1,594,500.00
FTA Sec. 3	$	500,000.00
	$	6,344,500.00
State Funds		
California Transportation Commission	$	7,112,937.00
Total Funds Available for Construction	$	13,457,437.00
2. CONSTRUCTION COSTS		
Base Bid–Miller/Thompson	$	10,089,696.10
** Note: $2.7 million of Reserved Funds for North Terminal are included in base bid.		
Balance of funds Available for Alternative Bid Item #4 -Breakwater Construction ($3.8 million cost)	$	3,367,740.90

Attachment II

PROJECT BUDGET- DOWNTOWN FERRY TERMINAL			
North Terminal			
Drydock & Refurbish	$	100,000	
Float Fendering	$	49,500	
New Ramp System	$	80,500	
Float Canopy	$	240,000	
Remove piles	$	5,000	
New Guidepiles	$	180,000	
Relocate Float	$	30,000	
Hinged Access Ramp (gangway)	$	100,000	
Hiinged Access Ramp Canopy	$	155,000	
Fender Dolphins	$	100,000	
Subtotal	$	1,040,000	
OH & P (1.2x1.1)	$	332,800	
North Terminal Float & Ramp	$	1,372,800	
South Terminal			
New Float		N/A	Other funding source
Fendering	$	50,000	
Guidepiles	$	235,500	
Fender Dolphins	$	100,000	
Hinged Access Ramp	$	100,000	
New Ramp System	$	100,000	
Float Canopy	$	250,000	
Ramp Canopy		N/A	Other funding source
Subtotal	$	835,500	
OH& P	$	267,360	
South Terminal Float & Ramp	$	1,102,860	
Combined Totals	$	2,475,660	
10% Contingency	$	247,565	
Total Cost		2,723,226	
AVAILABLE FUNDS			
CTC Prop 116	$	2,723,184	
Matching Federal Funds	$	42	
(Federal Transit Authority)			
Total Funds Available	$	2,723,226	

Attachment III

GRANT APPLICATION INFORMATION FORM

A document required to accompany a proposed resolution
Authorizing a Department to Apply for a Grant

To: The Board of Supervisors
Attn: Clerk of the Board

The following describes the grant referred to in the accompanying resolution:

Department: 35 Public Transportation Commission – MUNI

Contact Person: Gail Bloom Telephone: (415) 923-2573

Project Title: Grant Application for One Port CIP project

Grant Source: Federal Transit Administration Section 23 Interstate Transfer Funding

Proposed (Continuation) Grant Project Summary:

- Downtown Ferry Terminal Improvements

Amount of Federal Grant Funding Applied for: $1,594,500

Amount of Required State, Local and Regional Matching Funds: $281,382

Maximum Funding Amount Available: $1,594,500

Number of Positions Created and Funded: Not Applicable

Amount to be Spent on Contractual Services: $1,594,500

Will Contractual Services be put out to Bid? Yes

Term of Grant: Not Applicable

Date Department Notified of Available funds: Not Applicable

Application Due Date: Not Applicable

Department Head Approval

Memo to Finance and Labor Committee
December 15, 1999 Finance and Labor Committee Meeting

Item 7 - File 99-1811

Note: This item was continued by the Finance and Labor Committee at its meeting of November 3, 1999.

Department: Port

Item: Resolution approving a Ground Lease with Ferry Building Investors, LLC, for the rehabilitation of the Ferry Building, located on the Embarcadero and Market Street, as a mixed-use project and approving a negative declaration.

Description: Charter Section 9.118 requires that the Board of Supervisors approve non-maritime leases of real property or contracts and agreements entered into by a City department extending for a period of ten years or more. The proposed resolution would approve a 66-year Ground Lease between the Port and Ferry Building Investors, a California Limited Liability Company (LLC), to renovate and restore the Ferry Building as an intermodal ferry terminal and mixed-use development.

The Ferry Building is owned and maintained by the Port, which includes three floors of primarily office space consisting of a total of 291,872 square feet. Within the Ferry Building, the Port currently occupies 41,934 square feet of office space, or approximately 14 percent, and leases the remaining 249,938 square feet of space to approximately 93 other tenants, including three long-term commercial tenants. The three long-term commercial tenants include (1) the World Trade Club, a private business club, which occupies 29,521 square feet of space, of which 25,863 square feet is under a long-term lease expiring in 2004 and 3,658 square feet is on a month-to-month lease, (2) Limbach & Limbach, a law firm, which occupies 35,434 square feet, including 20,197 square feet in a long-term lease expiring in 2006 and 15,237 square feet in a month-to-month lease, and (3) Amtrak, which occupies 4,100 square feet with a lease expiring in 2005.

All of the Port's approximately 90 other tenants in the Ferry Building have month-to-month leases or leases

which expire by the Fall of 2000. According to Mr. Paul Osmundson of the Port, most of the Ferry Building tenants have month-to-month leases, including the three long-term tenants who have month-to-month leases for a portion of their space because the Port has been in the predevelopment stage for the proposed renovation of the Ferry Building for over five years. Therefore, the Port limited the number of tenants with long-term leases in order to maximize the flexibility for future development of the Ferry Building, Mr. Osmundson advises.

The proposed development of the Ferry Building would consist of approximately 40,000 square feet of ground level commercial retail space, including fresh and prepared food markets and approximately 20,000 square feet for four restaurants. The ground level, with a total of 105,000 square feet, will also contain Ferry passenger services, including ticketing booths, sheltered covered areas and a Central Concourse with major passageways connecting Market Street to the Bay, as well as loading and serving areas.

The second and third floors will contain a total of approximately 164,000 square feet of space, including approximately 150,000 square feet of market rate office space of which approximately 2,500 square feet will be used for the Port Commission's hearing room and 500 square feet will be used for ancillary Port office space. The remaining approximately 14,000 square feet of space(164,000 less 150,000) would be interior public space. Overall, the new Ferry Building would contain a total of 269,000 square feet of space, resulting in a reduction of approximately 23,000 square feet of space from the current approximately 292,000 square feet within the Ferry Building. Mr. Alec Bash of the Port reports that the reduction in space is a result of the restoration of the Ferry Building to contain the original Nave Bay, which is a long narrow central hall rising higher than the adjacent portions of the building, which will open up the center portion of the building from the ground floor to the roof, by removing about one-third of the second floor and all of the third floor. The proposed development will also seismically retrofit and

rehabilitate the Ferry Building to current fire and safety Building Code standards.

The Lease Disposition and Development Agreement, between the Port and the Developer, which is not subject to the Board of Supervisors approval, is intended to establish the conditions for the development of the Ferry Building by the Developer and to state the conditions for the delivery of the Ground Lease for the Ferry Building and the site to the Developer by the Port. The Lease Disposition and Development Agreement between the Port and the Developer, Ferry Building Investors, identifies the scope of the development project and includes a schedule of performance, indemnification requirements, relocation of tenant provisions, and other issues related to the construction phase of the project. The Lease Disposition and Development Agreement was approved by the Port Commission on August 24, 1999 and will become effective when the Port Director signs the Agreement, which Mr. Osmundson advises will not occur until the Board of Supervisors approves the proposed Ground Lease resolution. The Lease Disposition and Development Agreement will then expire upon the completion of the Ferry Building's construction, which is anticipated to be in approximately June of 2002.

The proposed Ground Lease for the Ferry Building between the Port and the Ferry Building Investors, which is the subject of the proposed resolution, establishes the terms and uses for the Ferry Building and identifies the specific compensation and other requirements for each of the parties during the term of the Ground Lease. This Ground Lease would commence after specific conditions are met, which are identified in Attachment 1 to this report, provided by the Port. Mr. Osmundson advises that these conditions are expected to be achieved by January of 2001, and the Ground Lease would extend for 66 years, or until approximately 2067. According to Mr. Osmundson, the Ferry Building Investors proposed the Ground Lease term of 66 years, which is the maximum allowable under the State's Burton Act.

Under the proposed 66-year Ground Lease, the Developer, Ferry Building Investors, will be responsible for all of the costs required for managing, improving, operating, maintaining and repairing the Ferry Building and the surrounding area. During this period of time, the Port would continue to own the Ferry Building and at the conclusion of the 66-year Ground Lease, the responsibility for the management, operation and maintenance of the Ferry Building and all improvements will revert back to the Port.

Fiscal Provisions: Attachment 2, provided by the Port, identifies the major fiscal provisions of the proposed Ground Lease. As shown in Attachment 2, the Port will initially receive a minimum guaranteed rent of $1.4 million per year, payable on a monthly basis of $116,667 per month, from the Ferry Building Investors. In accordance with the proposed Ground Lease, if the base rent is not paid, (1) Ferry Building Investors would be in default of the lease and the Port would have the right to terminate the lease and (2) such rent payments would continue to accrue, with annual interest costs of either ten percent or five percent over the Federal Reserve Bank rate, whichever is greater.

This $1.4 million minimum guaranteed annual rental income would be adjusted by the Consumer Price Index (CPI) every five years, subject to a minimum of two percent and a maximum of four percent per year, or a total of between ten to 20 percent every five years. This CPI rent adjustment would be paid by the Ferry Building Investors to the Port prior to any return on investment is paid to Ferry Building Investors, but, after the debt service, reserves and other operating expenses of the Ferry Building property are paid by Ferry Building Investors. If sufficient funds are not available to Ferry Building Investors to pay the Port this CPI rent adjustment, such payment may be deferred, interest-free, until such funds are available.

In addition to the $1.4 million annual adjusted rent payments, as shown in Attachment 2, the Developer will pay the Port a Participation Rent equal to 50

percent of the net income received by the Developer, on a quarterly basis, beginning six months from the date that the Ferry Building's net cash flow is positive. This Participation Rent would be paid after deducting the annual adjusted CPI rent payments and after the Developer receives an 11 percent return on their equity. Therefore, the Port would only receive such Participation Rent, if Ferry Building Investors revenues exceed not only their operating and maintenance costs, debt service and reserves, but also the adjusted $1.4 million annual CPI rent payments to the Port and an 11 percent return on equity to Ferry Building Investors.

As outlined in Attachment 2, the proposed Ground Lease also contains specific provisions giving the Port an option to share in the net proceeds from the transfer, sale, assignment or refinancing of the Lease. If the Ferry Building Investors refinances the lease, the Port would be paid 30 percent of all net refinancing proceeds. Assuming that under such refinancing, Ferry Building Investors would be realizing funds and thus increasing the debt service cost, the refinancing would serve to reduce the amount of Participation Rent that would be available to be paid to the Port. Alternatively, if Ferry Building Investors refinances to realize lower debt service costs, the Port would potentially realize increased Participation Rent, as the debt service costs are reduced. If Ferry Building Investors transfers or sells the Ground Lease, the Port can elect to receive 30 percent of the net proceeds from the transfer or sale, but, in return, the Port would relinquish the 50 percent Rent Participation provision, although the Port would continue to receive the CPI adjusted monthly rent payments.

Given these financial provisions, Attachment 2 identifies the Port's likely projected revenues totaling $88.4 million over a 20-year period, assuming that the Ground Lease is refinanced after ten years and sold after 20 years. Although this analysis only reflects the initial 20-year period, during the remaining 46 years of the proposed 66-year Ground Lease, if the Ground Lease is sold, the Port would continue to receive the

CPI adjusted monthly rent payments, or an estimated $64.4 million from the base rent and up to an additional $166 million from the CPI adjustments, assuming an average inflation rate of 3.2 percent, for a total of $318.8 million ($88.4 million plus $64.4 million plus $166 million). Mr. Osmundson also notes that if the Ground Lease is not sold or transferred, although the Port would not receive the estimated $24.5 million in sales proceeds as shown in Attachment 2, the Port would continue to receive the CPI monthly rent payments totaling up to approximately $230.4 million ($64.4 million plus $166 million) and the 50 percent Rent Participation revenues for the subsequent years, which are estimated by Ferry Building Developers to be between approximately $3.4 million to $22.4 million annually.

Comments:

1. Presently, the Port occupies 41,934 useable square feet of administrative office space in the Ferry Building. In addition, the Port indicates that they currently occupy 4,610 square feet of storage space in the Ferry Building, that will be moved to an off-site storage facility. The Port intends to relocate their administrative offices to Pier 1, under a 50-year lease and sublease arrangement with AMB Property Corporation, which was approved by the Board of Supervisors in April of 1999 (Resolution No. 329-99). Pier 1 is located immediately adjacent to the Ferry Building. Under the Pier 1 sublease, the Port will occupy 45,630 useable square feet of space, an increase of 3,696 square feet. In addition, as noted above, the Port will lease 3,000 square feet of additional space in the Ferry Building, for the Port Commission hearing room and related office space, for a total of 48,630 square feet of space for the Port, as compared with the current 41,924 square feet, an increase of 6,706 square feet, or 16 percent. It should also be noted that the Pier 1 sublease allows for the Port to occupy up to an additional 30,000 square feet of space during the 50-year term of the sublease.

2. Under the previously approved Pier 1 lease and sublease arrangements, AMB Property Corporation will construct and manage a proposed new office building.

When completed, AMB will occupy a portion of the new Pier 1 office space, sublease a portion of the new office space to the Port and sublease a portion of the new space to other outside tenants. Under such arrangements, the Port will pay AMB Property an initial rent of $153,051 per month for 52,475 square feet of office space, or approximately $2.92 per square foot per month ($35 annually). The sublease has various escalation clauses, which become effective over the 50-year term of the lease and sublease.

Under these arrangements, previously approved by the Board of Supervisors, AMB Property will receive a return of 11 percent on their estimated construction costs of $34,511,526, or $3,796,268. Under a revenue-sharing arrangement, beginning in year six, and continuing for the remaining 45 years of the lease, AMB will pay the Port 50 percent of the increased total rental income received by AMB from all the tenants, including the Port and AMB. At the end of the 50-year term of the lease and sublease, the Pier 1 building and all improvements will belong to the Port.

3. Pier 1 construction began in August of 1999 and is projected to be completed in December of 2000. As soon as it is completed, the Port anticipates relocating its administrative offices and staff to the newly renovated Pier 1 facility. The Ferry Building construction is then projected to begin immediately thereafter in January of 2001, and to be completed by June of 2002. One of the conditions stated in the Ferry Building Lease Disposition and Development Agreement is that if the Port is unable to vacate the Ferry Building by January of 2001, due to a delay in the Pier 1 project, the Port has various options to extend that date, with graduated penalties in the form of per diem rent credits to be paid to Ferry Building Investors the further the date is extended. Conversely, the Ferry Building Investors must meet their specific conditions by that date, or pay the Port $75,000 per month for their delays.

4. Mr. Osmundson notes that when the renovations at the Ferry Building are completed, office and retail space in the Ferry Building will rent at the then

current market rates, which is estimated to be gross rent of $53.89 per square foot per year for office space, and gross rent of $40.93 per square foot per year for retail space. Mr. Bash advises that the Port currently receives $16.68 per square foot per year from the World Trade Club and $32.64 per square foot per year from Limbaugh & Limbaugh, from their long-term leases at the Ferry Building. Assuming operating costs of $8 per square foot, the proposed Ferry Building office space rate of approximately $54 per square foot is $11 more per square foot, than the proposed net rent of $35 per square foot, that the Port will pay for office space in Pier 1.

5. Mr. Osmundson advises that the Port will not be required to pay Ferry Building Investors for tenant improvements or the use of the 3,000 square feet of additional space in the Ferry Building, to be used for the Port Commission meetings and for an ancillary office. Currently, the Port occupies all of its Ferry Building space rent-free. However, Mr. Osmundson notes that Ferry Building Investors will be able to rent out the Port Commission meeting room and the ancillary office space when the Port is not using such space, in accordance with a proposed sublease. Mr. Osmundson reports that the sublease between Ferry Building Investors and the Port for use of this 3,000 square feet of space in the Ferry Building will be subject to the Board of Supervisors approval and is anticipated to be brought to the Board within the next three months.

6. On May 15, 1998, the Port issued a Request for Qualifications (RFQ) to Rehabilitate and Lease the Ferry Building as a mixed-use project. Mr. Osmundson advises that this RFQ was advertised in the Wall Street Journal, Los Angeles Times, New York Times, Urban Land Magazine and numerous other publications, and that the RFQ was sent to over 100 firms. In response, the Port received four qualification statements and subsequently, the Port invited the four respondents to submit proposals for development of the Ferry Building. The four respondents were: (1) Madison Marquette Realty Services, (2) TrizecHahn

Development Corporation, (3) Mentmore Development Company/Mills Corporation and (4) William Wilson & Associates. An analysis of the four proposals was conducted by the Port's staff and assisted by outside real estate consultants, Keyser Marston Associates and the accounting firm of KPMG Peat Marwick. On November 17, 1998, the Port staff recommended and the Port Commission selected William Wilson & Associates, located in San Mateo, as the developer to enter into an Exclusive Right to Negotiate Agreement for the Ferry Building (Resolution No. 98-114).

William Wilson and Associates subsequently merged with Cornerstone Properties, a national real estate investment trust, and is now known as Wilson Cornerstone. Wilson Cornerstone created a development entity known as Ferry Building Investors, LLC, to act as the developer for the Ferry Building project. The Port advises that Wilson Cornerstone, the parent company of Ferry Building Investors, is also currently constructing the Gap Headquarters building, at The Embarcadero and Folsom Street and was the developer for the restoration of the Flood Building, both landmark buildings in San Francisco. The Board of Directors and the Officers of Wilson Cornerstone, Inc. are identified in Attachment 3 provided by the Port.

7. As shown in Attachment 4 provided by the Port, Ferry Building Investors estimate project construction costs of approximately $70 million, which includes $2,683,333 of Ground Lease minimum rental payments to the Port during the construction period. According to Mr. Osmundson, the construction management firm of O'Brien Krietzberg has reviewed these estimates for the Port and determined them to be reasonable. However, Ms. Diane Millner of the City Attorney's Office reports that if the actual costs exceed the developer's estimates, then Ferry Building Investors would be liable for any cost overruns, and not the Port. However, Ms. Millner notes that any additional costs that are incurred by Ferry Building Investors will ultimately affect the Port's revenues, since the proposed project has shared public/private Participation Rent provisions.

8. The Ferry Building is a City landmark listed on the National Register of Historic Places. After construction is completed, the Developer expects to receive certification from the National Park Service that the construction complies with the Secretary of Interior's Standards for Rehabilitation, making the project eligible for a 20 percent Federal Historic Preservation Tax Credit. Mr. Osmundson advises that these Tax Credits, which are similar to the Federal Affordable Housing Tax Credits, will enable the Ferry Building Investors to increase the amount of cash available for the project, which will potentially increase the amount of net cash that will be available to split with the Port under the Rent Participation provisions.

9. Currently, the Ferry Building has 41 parking spaces. Under the proposed Ferry Building development, there would be no on-site parking. The Budget Analyst notes that the Planning Department in a letter of February 16, 1999 granted an exemption to the adjacent Pier 1 project from all Planning Code off-street parking requirements, which was previously approved by the Board of Supervisors. The current Planning Code requirement is for one off-street parking space per 500 square feet of office and retail space development and slightly higher off-street parking requirements for restaurant space. Based on the projected use of the 269,000 square feet of the Ferry Building project, 514 off-street parking spaces would be required. However, according to Mr. Bash, this parking requirement may be reduced based on the Ferry Building's already existing deficit of parking. Mr. Bash advises that the developers for the Ferry Building project will be seeking an exemption from the Planning Department for such off-street parking requirements.

In addition, Mr. Osmundson advises that the Port intends to request a reduction in the Planning Code parking requirements for the proposed Ferry Building project. Furthermore, Mr. Osmundson reports that the Port would like to pursue the construction of an underground parking garage on a City-owned (Department of Public Works) parcel at The

Embarcadero and Washington Street, which is directly across the street from the Ferry Building, which would be beneficial to the Ferry Building and the adjacent waterfront area. However, Mr. Osmundson reports that the Port cannot proceed with such construction until the completion of an environmental review for a Butterfly Discovery Museum on this same site, which is anticipated to be completed within the next several months. Mr. Osmundson advises that a decision by the Board of Supervisors will determine the final use of this site.

10. Under the proposed agreements, Ferry Building Investors will be required to carry various types of insurance (e.g., property insurance, commercial liability insurance, business insurance, etc.) and the agreements contain various indemnification provisions. Mr. Keith Grand, the City's Risk Manager previously reported that he had reviewed the insurance and indemnity provisions and recommended the following amendments be incorporated in the Ground Lease, to further protect the City: (1) In Section 18.1(b), General Insurance Requirements, the Lease currently states that all insurance shall be carried under a valid and enforceable policy issued by insurers of recognized responsibility that are rated Best A-:VI or better. Mr. Grand recommends that the rating be changed from A-VI to A-VIII, which is a higher rating and is the City's usual minimum requirement for insurance carriers; (2) In Section 18.2, Port Entitled to Participate, the Lease currently states that the Port shall not be entitled to participate in and consent to any settlement, compromise or agreement with respect to any claim for any loss in excess of $5 million covered by the insurance required to be carried, if the tenant has agreed in writing to commence and complete restoration. Mr. Grand advises that the Port should be able to participate in such insurance settlements, that would otherwise go solely to Ferry Building Investors.

As shown in Attachment 5, Mr. Grand now advises that the proposed Ground Lease has been amended to reflect the higher insurance rating for the carrier, as

previously recommended, and that the property claim settlement issues have been resolved.

11. The proposed resolution would also adopt the findings with respect to the Final Negative Declaration for the Ferry Building Project, which was issued by the Planning Department on October 1, 1998. On August 24, 1999, the Port Commission adopted the Final Negative Declaration and mitigation monitoring program for the Ferry Building Project.

12. In accordance with the proposed conditions for entering into the Ground Lease, as shown in Attachment 1, the Port must deliver the Ferry Building to Ferry Building Investors free of all tenants and occupants, except the World Trade Club (WTC), Limbach & Limbach and Amtrak, the three tenants with long-term leases in the Ferry Building. Furthermore, as stated in the Lease Disposition and Development Agreement, Ferry Building Investors is responsible, at no cost to the Port, for the relocation or buyout of these three long-term tenants, prior to beginning renovations of the Ferry Building. Mr. Osmundson advises that the World Trade Club is currently objecting to (1) potential termination of its short-term (month-to-month) lease provisions, (2) potential termination of its short-term parking lease on adjacent Port property and (3) the developer not negotiating in what the World Trade Club considers to be good faith. However, Mr. Osmundson advises that the Port believes that Ferry Building Investors is handling the World Trade Club appropriately.

13. In addition to the $88.4 million that the Port is estimating it will receive over the first 20 years of the proposed Ground Lease, Mr. Osmundson reports that the City will receive approximately $700,000 annually from Possessory Interest Taxes from Ferry Building Investors and approximately $300,000 annually from Sales Taxes generated by the proposed retail establishments, or a total of $1.0 million annually. Currently, Mr. Osmundson reports that the City receives approximately $250,000 annually from Possessory Interest Taxes paid by the various leasees

in the Ferry Building and approximately $10,000 annually from Sales Taxes generated by the few retail establishments, or a total of $260,000. Possessory Interest Taxes are a means for the City to collect Property Taxes on public property that is used for private purposes. Overall, Mr. Osmundson estimates that the proposed Ferry Building project will generate an additional $740,000 of annual revenue for the City's General Fund.

14. As discussed above, the Port currently owns, operates and maintains the Ferry Building, including providing security, janitorial, garbage, utilities, insurance, maintenance, property management and administrative support functions. As shown in Attachment 6 provided by the Port, in FY 1998-99, the Port spent a total of $1,350,000 on such services for the Ferry Building. During FY 1998-99, the Port generated a total of $2,553,144 in gross revenues from the Ferry Building, thus realizing ($2,553,144 gross revenues less $1,350,000 of costs) $1,203,144 of net revenues for the Port.

It should be noted that by comparison, Ferry Building Investors projects that in 2003, the first year of occupancy for the new Ferry Building, total gross income will be approximately $12 million and operating expenses, including taxes (which the Port did not incur) will be approximately $3.2 million, resulting in a net operating income of approximately $8.8 million. After payment of the Port's base $1.4 million annual rent and estimated debt service payment of $3.6 million, Ferry Building Investors projects realizing a net cash flow of approximately $3.8 million, this first year of operation.

15. Under the proposed Ground Lease provisions, the Ferry Building Investors will assume responsibility for the construction, operation and maintenance of the Ferry Building beginning in January of 2001. Therefore, all of the $1,350,000 of costs that the Port is currently incurring to support the Ferry Building's operations and maintenance should cease. In addition, Mr. Osmundson advises that Ferry Building Investors will be responsible for maintaining the exterior area,

up to 20 feet, surrounding the Ferry Building, which the Port currently maintains. Mr. Osmundson could not provide the Budget Analyst with an estimate of the additional costs that the Port currently incurs to maintain this exterior area, which will also no longer be necessary once Ferry Building Investors assumes control of the interior and exterior Ferry Building operations and maintenance.

Mr. Osmundson had previously advised that the Port should be able to reduce its contracts for security and janitorial services and for the direct garbage, utility and insurance costs, for an estimated total annual cost of $1,087,000. However, Mr. Osmundson had reported that the Port did not plan to cut back the reserve funds or the maintenance, property management and administrative staff that are currently assigned to the Ferry Building, at an estimated annual cost of approximately $263,000. Instead, Mr. Osmundson reported that the Port intended to reallocate such funds and staff to other Port properties, as needed. The Budget Analyst recommended that the FY 2000-2001 budget for the Port be reduced by $675,000, or the six month portion of the estimated $1,350,000 annual costs, which would no longer have to be incurred by the Port, assuming a January of 2001 transfer of the property from the Port to Ferry Building Investors. Furthermore, the Budget Analyst recommended that an additional $675,000 be reduced from the FY 2001-2002 Port budget, to reflect the additional six months of savings during the following year and that the Port provide a plan in writing to the Board of Supervisors on specifically how the Port will reduce their budget.

In response, the Port provided Attachment 6, which indicates Pier One estimated annual expenses of $1,083,000 and Mr. Osmundson reports that the Port's FY 2000-01 budget will include approximately $550,000 for the Port's offices at Pier One, assuming the Port will occupy Pier One offices beginning in December of 2000, or approximately six months of the fiscal year. However, the Budget Analyst notes that, as shown in Attachment 6, the Port is now estimating annual rent expenses of $644,000. According to Mr.

Osmundson, this is the current estimated net amount that the Port will need to pay the rent costs for Pier One office space, including the tenant improvement expenses, less the payments that AMB Property Corporation, the developer for Pier One, will pay to the Port.

The Budget Analyst notes that this $644,000, now being reported by the Port, is $523,251 or 433 percent more than the estimated net rent costs of $120,749 per year (rental costs of $1,836,608 plus $67,000 for tenant improvements less payment of $1,782,859 from AMB to the Port) that the Port previously reported to the Board of Supervisors in April of 1999 was the likely estimated net expenses for Pier One, when the Port was seeking approval of the Pier One project (File 99-0527). Mr. Kirk Bennett of the Port reports that the higher rent costs now being reported for Pier One reflect one of the worst case scenarios, in which the developer, AMB, is required to use the entire 15 percent construction contingency funds in order to complete the project, which was included as an alternate scenario in the Budget Analyst report. However, Mr. Bennett advises that the Pier One project is currently under construction, and it is his understanding that the project is currently on time and budget.

In addition, at the time that the Port requested approval of the Pier One project from the Board of Supervisors, only eight months ago, the Port reported to the Budget Analyst that AMB would provide the utilities and the Port would provide the maintenance services for the office space in Pier One. However, at that time, no amount was provided by the Port to the Budget Analyst or to the Board of Supervisors regarding Operating and Maintenance Expense Charge Backs for specific utility expenses. Therefore, the Budget Analyst is now questioning the Port including an additional $266,000 for such estimated Operating and Maintenance Expense Charge Backs. The Budget Analyst therefore recommends that an amount of $120,749 be budgeted for the anticipated net rent costs for Pier One, as previously reported by the Port, and that before any additional expenses are budgeted for

Operating and Maintenance Expense Charge Backs, a detailed breakdown of such expenses should be provided to the Budget Analyst.

In addition to these budget discrepancies pertaining to the numbers provided to the Budget Analyst for the Budget Analyst's report to the Finance and Labor Committee Meeting on April 14, 1999 versus the new numbers now being reported by the Port, the Port also advises that the difference of $267,000 between the expenses of the current Ferry Building ($1,350,000) and the new Pier One building ($1,083,000) is due to existing Port maintenance (electrician, plumbers and carpenters), property management and administrative staff which are currently assigned to the Ferry Building, which the Port is advising would be reallocated to other Port properties, once construction begins on the Ferry Building project. Specifically, Mr. Osmundson advises that property management and administrative staff that had been working on the Ferry Building will spend time on Pier One and the Agriculture Building and on supporting new leasing and development activity at the Port and that maintenance staff will be reallocated to various other office and warehouse facilities that are in need of repair and maintenance. The Budget Analyst seriously questions the need for such increased levels of property management, administrative and maintenance staffing for the Port, when the existing staff's current responsibilities are terminated at the Ferry Building. Therefore, the Budget Analyst continues to recommend that such positions be eliminated.

The Budget Analyst notes that the Port, as shown in Attachment 6, has also included an estimated $80,000 for janitorial expenses, $21,000 for interior maintenance & supplies to support the Port's janitorial services, $65,000 for electricity and $7,000 for insurance. Although the Budget Analyst has not been provided with supporting documentation for these expenses, they appear reasonable.

Therefore, the Budget Analyst recommends that the Port reduce its annualized expenditures by $1,056,000

($1,350,000 for the Ferry Building's current annual expenditures less (a) approximately $121,000 for net rent costs for Pier One, (b) $80,000 for janitorial, (c) $65,000 for electricity, (d) $7,000 for insurance and (e) $21,000 for interior maintenance & supplies) and that a more detailed breakdown of all operating expenses be provided to the Budget Analyst during the budget process.

16. On September 10, 1999, Mr. Douglas Wong, the Executive Director of the Port issued a memorandum to the Members of the Finance and Labor Committee responding to the request for information on the development options available to the Port in restoring and rehabilitating properties, such as the Ferry Building. This memorandum discussed the Port's development options of having the (1) Port as Developer, (2) Port as Ground Lessor, and (3) Port as Ground Lessor under a Private-Public Partnership. The conclusion drawn in this memorandum is that "the Port will improve its chances of creating a successful project (thereby maximizing its revenue) by bringing in the capital resources and skills of Wilson Cornerstone as the developer," with the Port as Ground Lessor under a Private-Public Partnership.

The Budget Analyst notes that in both the Best and Conservative Case Projections included in this memorandum, the Port assumes that Ferry Building Investors will sell the Ground Lease in year 20, thus realizing an additional $22.7 million to $39.7 million of revenue for the Port, under these two private developer scenarios. Similarly, as reflected in Attachment 2, the Port assumes not only a sale of the Ground Lease in year 20, netting the Port an estimated $24.5 million, but an additional $14.3 million from the Port's share of the refinancing proceeds in year 10 of the Ground Lease. Together, these two provisions would yield the Port $38.8, or approximately 44 percent of the total estimated $88.4 million projected over the 20-year period. Yet, while these scenarios assume the developer will sell the leasehold interest in year 20, Mr. Osmundson states that the Port cannot assure or even

predict when or if the developer would ever refinance, transfer or sell the proposed Ground Lease.

However, Mr. Osmundson now advises that the developer intends to sell the leasehold at some point within the first 20 years of operation and that the Port's economic consultants, Keyser Marston Associates, also advise that it is reasonable to assume a sale of the leasehold sometime within the first 20 years of the Lease. Nevertheless, the Port prepared an estimate of the total payments to the Port over the first 20 years, without a sale by the developer, which results in total lease payments to the Port of approximately $71.8 million over the first 20 years of the Lease.

17. If the Ferry Building Investors want to sell, transfer, assign or refinance the Ferry Building Ground Lease, such sale, transfer, assignment or refinancing would not be subject to the Board of Supervisors approval, according to Mr. Osmundson, unless there were to be amendments to the Ground Lease. Mr. Osmundson also advises that the Port cannot reasonably withhold the Port's consent of such a sale, transfer, assignment or refinance. However, given the 66-year long-term length of the proposed Ground Lease, and the likelihood that the lease may be sold at sometime in the future, the Budget Analyst previously recommended that such future sale, transfer or assignment of the proposed Ground Lease from the Ferry Building Investors be subject to review and approval by the Board of Supervisors.

In response, as shown in Attachment 7, which is a letter from the Port to the Budget Analyst dated December 7, 1999, Mr. Osmundson advises that the Port Commission is not agreeable to this provision "due primarily to the financing difficulties and negative impacts on the future sale value of the leasehold,". . . "The Port Commission also believes that such a transaction is within their sole responsibility," and that the Board of Supervisors should not be involved in such a decision. The Port has also submitted a letter dated November 11, 1999 from Trowbridge, Kieselhorst & Company, Inc., a commercial mortgage banking firm

based in San Francisco, which is included as Attachment 8, which states that "It is our opinion that a modification of the ground lease to incorporate a requirement that any sale, transfer or refinance be subject to the additional approval of the Board of Supervisors will decrease the value of the ground lease and significantly worsen the terms upon which the ground lease can be commercially financed. A second governmental approval, by the Board of Supervisors, will in all likelihood greatly increase the time required to achieve certainty of transaction and by increasing the uncertainty of the transaction, limit the universe of lenders and buyers, and decrease the value they will place on the building. The uncertainty and its related impact on value will be even more severe in periods of tighter credit than prevails today. To preserve the value of your asset we strongly recommend that you not adopt the amendment to the Ground Lease proposed by the Budget Analyst." Given this response, the Budget Analyst therefore considers this provision to be a policy matter for the Board of Supervisors.

18. The Budget Analyst raises the following concerns about the proposed Ground Lease for the Ferry Building: (1) the Port would occupy 3,000 square feet of additional space in the Ferry Building, in addition to the already increased Port administrative space of 45,630 square feet, and additional expansion potential of 30,000 square feet in the adjacent Pier 1 facility; (2) there is not proposed to be any parking available on-site at the Ferry Building, although the Planning Code requirement is for 514 off-street parking spaces and a potential off-site parking garage across the street is currently being proposed for a Butterfly Discovery Museum; (3) the World Trade Club, an existing long-term tenant, has raised various objections; (4) the Port's intention to continue to maintain the same level of Port operating expenses and maintenance, property management and administrative staff totaling $1,350,000 annually, after the Ferry Building is transferred to Ferry Building Investors for their operation and maintenance; and (5) any future transfer, sale or assignment of the proposed 66-year Ground Lease would not be subject to the Board of

Supervisors approval, unless amendments were remade to the Ground Lease. Given such concerns, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

19. Ms. Millner advises that the Board of Supervisors cannot amend the proposed Ground Lease, which is the subject of this proposed resolution. According to Ms. Millner, the Board of Supervisors can only approve, disapprove or continue the proposed resolution.

Recommendations: Request that the Port reduce their annualized expenditures by $1,056,000, and provide a more detailed breakdown of all operating expenses as discussed in Comment No. 15 above.

The Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors, due to the numerous issues raised in Comment No.18 above.

Attachment 1

Following are the conditions that must be satisfied for the escrow to close, whereby the Lease and the site will be delivered to Developer:

- Port has approved the construction design documents.
- Port has issued a full building permit or a site permit.
- Developer has submitted to the National Park Service Part 2 of the Historic Preservation Certification Application.
- Developer has received all required approvals from regulatory agencies, including BCDC.
- Developer has submitted to the Port an updated Construction Budget, and evidence of a guaranteed maximum price contract for the construction of improvements consistent with the Construction Budget.
- Developer has provided the Guaranty.
- Pier 1 is completed.
- Developer has submitted evidence regarding the establishment of an investment entity to utilize Historic Tax Credits.
- Developer has submitted a certificate of insurance for required insurance coverage and the title company is prepared to insure title.
- Executed copies of the Lease have been submitted into escrow.
- The Ferry Building is free of all tenants and occupants, except WTC, Limbach and Amtrak.
- Developer has submitted a First Source Hiring Agreement and an HRC Certificate of Compliance and the Port has approved them.
- Port has completed certain offsite work in the Apron Area and issued permits to enter to Developer for staging and other construction activity.
- There have been no adverse changes in the condition of the site.

IV. FINANCIAL ANALYSIS

As previously discussed, under the Lease the Port stands to receive revenue from the project as follows:

Minimum Rent: Guaranteed $1.4 million annually

Annual Consumer Price Index ("CPI") Adjustment: Between 10% and 20% every five years, after operating expenses, reserves and debt service. Unpaid CPI adjustments accumulate.

Participation Rent: 50% of net cash flow, after 11% developer return on equity. Unpaid return on developer equity accumulates.

Participation in Refinance Proceeds: Port receives 30% of net proceeds from refinancing.

Participation in Transfer or Sale Proceeds: Port can elect to receive 30% of net proceeds from a transfer or sale, but thereafter relinquishes its 50% participation in net cash flow.

The scenario presented below is for a 20 year period, assuming 3% inflation, a refinance after 10 years, and a sale after 20 years.

Port Revenue	Cumulative Port Revenue, Developer Projected Rents
Minimum Rent	$28.0 million
CPI Adjustment Rent	$5.6 million
Participation Rent	$16.0 million
Refinancing Proceeds	$14.3 million
Sale Proceeds	$24.5 million
TOTAL	$88.4 million

Attachment 3

CORNERSTONE PROPERTIES INC.

BOARD OF DIRECTORS

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Chairman of Cornerstone Properties Inc.

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President and Chief Executive Officer of Cornerstone Properties Inc.

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Real Estate Consultant to Pensioenfonds PGGM

CECIL D. CONLEE
Managing Director of Rodamco and Chairman of CGR Advisors

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MICHAEL J. C. TOPHAM
Executive Vice President and Managing Director of Hines

JAN VAN DER VLIST
Director of Real Estate Investments for Pensioenfonds PGGM

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Vice President, Peninsula Region

CASSANDRA J. TORKILDSON
Vice President, Human Resources

MARTIN J. WARD
Vice President, East Bay Region

FERRY BUILDING LEASE DISPOSITION AND DEVELOPMENT AGREEMENT
Form of Budget

Construction Budget:		
Acquisition of Ground Lease		$927,000
Lease Modification Costs		5,109,929
Environmental Mitigations		3,750,000
Entitlements		281,000
Architects & Engineers		4,334,212
Shell Construction		37,832,500
Retail Tenant Work		968,415
Office Tenant Work		5,982,500
Retail Leasing Commissions		849,410
Office Leasing Commission		1,037,219
Marketing Expenses		178,000
Legal		222,000
Financing Fees		756,000
Development Fee		2,610,127
Contingency		2,037,500
Development Period Interest		2,638,551
Operating Shortfall:		
Development Period Ground Rent	$2,683,333	
Development Period Operating Expenses	1,924,150	
Less: Development Period Income	(4,221,866)	
		385,617
Total Construction Budget		$69,899,980

Attachment 5

CITY AND COUNTY OF SAN FRANCISCO

RISK MANAGEMENT PROGRAM

WILLIE L. BROWN, JR.
MAYOR

Via Fax (252-0461)

December 9, 1999

TO: Debra Newman, Budget Analyst

FROM: Keith Grand, Risk Manager

SUBJ: **Port Ferry Building Lease**

The issue I raised about the Port not having the right to participate in a property insurance claim settlement in excess of $5 million has been resolved, as explained below, and I no longer have any objection on that point. The other issue of the acceptable rating for the tenant's insurer (p.72) has been resolved by the tenant agreeing to the original Port requirement that such rating be not less than the A.M. Best rating of A-,VIII.

On the claim settlement issue, while the language could be clearer, Section 18.2 initially seems to provide that the Port is not entitled to participate in a property damage claim settlement in excess of $5 million, if the tenant has agreed in writing to restore. However, an exception in this section refers to Section 12.3, which entitles the Port to participate in any settlement in excess of $3 million. Thus, the net effect of Sections 18.2 and 12.3, read together, is that the Port can participate in claims settlements:

- in excess of $3 million, when the tenant has agreed to restore, and
- in excess of $5 million, when the lease will be terminated, with no restoration.

If questions, please call me at 554-6170.

cc: Paul Osmundson, Port (274-0630)
Neil Sekhri, Port (274-0494)

City Hall, Room 362
1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102
Telephone (415) 554-6172; Fax (415) 554-6168

Port Operating Expenses at the Ferry Building and Pier One

Description	Estimated Annual Amount ($000's) Ferry Bldg.	Pier One
Security*	$ 128	$
Janitorial	370	80
Scavenger*	39	
Electricity	340	65
Gas*	72	
Water/Sewer*	38	
Insurance	100	7
Maintenance & Reserves*	176	
Interior Maintenance & Supplies		21
Administrative	87	
Rent		644
Operating and Maintenance Exp. Charge Back*	0	266
Total	1,350	1,083

* At Pier One all security, scavenger, gas, water sewer, and exterior building maintenance will be paid for by the developer AMB Properties. AMB will, in turn, charge the Port for its pro-rata share of these expenses. The current estimate of this charge is shown on the Operating and Maintenance Exp. Charge Back line.

PORT OF SAN FRANCISCO

Ferry Building
San Francisco, CA 94111
Telephone 415 274 0400
Telex 275940 PSF UR
Fax 415 274 0528
Cable SFPORTCOMM
Writer

December 7, 1999

Ms. Debra Newman
Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Subject: Item 5 – File 99-1811: Resolution Approving a Ground Lease with Ferry Building Investors, LLC, for the Rehabilitation of the Ferry Building, located on the Embarcadero and Market Street, as a Mixed-Use Project and Approving a Negative Declaration.

Dear Debra:

The purpose of my letter is to provide you with additional information and clarification regarding the Ferry Building Ground Lease, which will be heard at the December 15, 1999 meeting of the Finance and Labor Committee of the Board of Supervisors.

Insurance
I have a attached a memorandum from Neil Sekhri, one of our Port Deputy City Attorneys, clarifying for Keith Grand the Port's position that the Lease as currently drafted protects the Port's financial interests in the event of insurance claims. Keith indicated that he would consider this information and either discuss it with you or write you a short memorandum.

Sale, Transfer or Assignment of the Lease
We have discussed this issue with the Port Commission, and they are not agreeable to it, due primarily to the financing difficulties and negative impacts on the future sale value of the leasehold, which were addressed in a letter from a commercial mortgage banking firm who has reviewed the lease (see attached letter). The Port Commission also believes that such a transaction is within their sole responsibility.

Operating Budget
The final attachment is a chart showing the projected operating expenses for the Port's administrative offices at Pier 1 which we will occupy beginning in December, 2000. Our FY 2000/2001 budget will reflect expenses of approximately $550,000 for the Port's offices at Pier 1. As I described in my November 16, 1999 letter to you, the other administrative and maintenance staff time and resources that had been allocated to the Ferry Building will be reallocated to other Port properties.

I hope that this answers your questions. We look forward to seeing your final report.

Sincerely,

Paul Osmundson
Deputy Director

Attachments

cc: Honorable Members, Finance and Labor Committee

TROWBRIDGE, KIESELHORST & COMPANY, INC. / REAL ESTATE FINANCE

VIA U.S. MAIL

November 11, 1999

Mr. Paul Osmundson
Director of Planning
Port of San Francisco
The Ferry Building
San Francisco, CA 94111

Re: The Ferry Building
San Francisco, California

Dear Mr. Osmundson:

Trowbridge, Kieselhorst & Company is a commercial mortgage banking firm based in San Francisco. We are the regional correspondents for to a number of institutional lenders including Allstate Insurance Company, American General Insurance Company, CIGNA, ING, J.P. Morgan Investment Management and Teachers Insurance and Annuity Association. We have placed over $6 billion of commercial real estate loans in Northern California in the past 20 years with these and other national lenders. We service the majority of the loans we place.

We have reviewed the proposed Ground Lease between Ferry Building Investors, LLC and the Port of San Francisco. In our opinion the proposed ground lease as drafted can be financed on commercially reasonable terms.

We have also reviewed the analysis of the ground lease prepared by the San Francisco Budget Analyst for the Board of Supervisors. In that analysis, the Budget Analyst recommends that any sale, transfer or refinance of the ground lease be subject to approval by the San Francisco Board of Supervisors.

It is our opinion that a modification of the ground lease to incorporate a requirement that any sale, transfer or refinance be subject to the additional approval of the Board of Supervisors will decrease the value of the ground lease and significantly worsen the terms upon which the ground lease can be commercially financed.

555 CALIFORNIA STREET, SUITE 2850, SAN FRANCISCO, CALIFORNIA 94104
TELEPHONE (415) 433-1072 FAX (415) 433-1429

A second governmental approval, by the Board of Supervisors, will in all likelihood greatly increase the time required to achieve certainty of transaction, and by increasing the uncertainty of the transaction, limit the universe of lenders and buyers, and decrease the value they will place on the building. The uncertainty and its related impact on value will be even more severe in periods of tighter credit than prevails today.

To preserve the value of your asset we strongly recommend that you not adopt the amendment to the Ground Lease proposed by the Budget Analyst.

Sincerely yours,

Thomas Trowbridge, Jr.
Chairman and
Chief Executive Officer

Item 10 – File 99-2154

Department:	Public Transportation Commission (PTC) Municipal Railway (Muni)
Item:	Ordinance approving the suspension of fares on the Municipal Railway from December 31, 1999, beginning at 8:00 p.m., until January 1, 2000, ending at 6:00 a.m.
Description:	The proposed ordinance would authorize the Public Transportation Commission (PTC) to provide free Muni service to all riders using the Muni on New Years Eve, from December 31, 1999, beginning at 8:00 p.m., until January 1, 2000, ending at 6:00 a.m.
Estimated Costs:	According to Mr. Bob Kuo of Muni, the estimated cost to the City to provide the proposed free Muni transit service, between 8:00 p.m. on December 31, 1999 through 6:00 a.m. on January 1, 2000, is $100,000. Mr. Kuo states that $50,000 in increased costs would result from overtime costs to provide additional Muni staff for expanded service. In addition, Mr. Kuo states that approximately $50,000 in increased costs would result from lost fare box revenues.
Comments:	1. According to Ms. Roberta Boomer of PTC, the estimated number of persons attending 1999 New Years Eve celebrations in the City would range from 1 to 1 ½ million persons, which is higher than New Years Eve attendance in prior years. Ms. Boomer states that use of Muni transit service is also expected to be higher than prior years. 2. According to Mr. Kuo, the City also offered free Muni transit service on New Years Eve last year. The estimated cost of providing such free Muni service during the subject hours last year was $71,738, including $35,000 for overtime costs, $32,000 from lost fare box revenues, and $4,738 for 10 motor coaches, staffed by 10 transit operators, for transportation of Police Officers during New Years Eve ($35,000 plus $32,000 plus $4,738, totaling $71,738). Radio station KMEL donated $12,500 to partially offset the total costs incurred by the City,

resulting in a net estimated cost to the City of $59,238 ($71,738 less $12,500).

3. This year's estimated cost of $100,000 to provide such free Muni service is $28,262 higher than last year's costs in the amount of $71,738 because the number of riders using Muni is expected to increase on this New Years Eve, particularly because of the Millenium.

4. Ms. Boomer states that the Muni would operate all of the regular OWL Service transit lines, which are the bus and streetcar lines normally operating between the hours of 1 a.m. and 5 a.m. daily, but would operate such transit lines every 15 minutes rather than the normal schedule of every 30 minutes.

5. As stated in the resolution, the City intends to cover a portion of any expenses incurred as a result of providing free Muni service on New Years Eve with corporate donations. According to Mr. Kuo, KMEL plans to provide a contribution to partially offset costs, but the amount of the contribution has not yet been determined.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 11 – File 99-2196

Department: Department of Public Health (DPH)

Item: Hearing to consider the release of reserved funds in the amount of $270,000 to develop a children's mental health initiative.

Amount: $270,000

Source of Funds: FY 1999-2000 General Fund Reserve

Description: During the FY 1999-2000 budget review, the Board of Supervisors appropriated and placed on reserve $270,000, for a children's mental health initiative, pending the submission of budget details. The Department of Public Health (DPH) is now requesting release of such funds to develop a Parent Helpline Program to assist families of children in need of mental health services.

The subject funds would be used to develop a children's mental health initiative, including (a) a Parent Helpline to provide parents with information and consultation on mental health issues and services for children, including eligibility and access to the San Francisco Mental Health Plan, (b) an outreach campaign to advertise the Parent Helpline Program, and (c) an evaluation of the ongoing effectiveness of the Parent Helpline Program.

Budget: A summary budget for the proposed program in FY 1999-2000 is as follows:

Parent Helpline Program	$193,582
Outreach Campaign	45,418
Program Evaluation	31.000
Total	$270,000

The Attachment, provided by DPH, contains the budget details of the proposed contract with Support for Families of Children with Disabilities (SFCD) to support the above listed expenditures for the children's mental health initiative.

Comments:

1. According to Ms. Anne Okubo of DPH, DPH would expend the subject reserved funds to amend an existing contract with SFCD, a nonprofit contractor with Community Mental Health Services, to operate the Parent Helpline, conduct the outreach campaign, and perform the program evaluation. Ms. Okubo states that SFCD is one of five existing hotline programs serving children and families, but that SFCD, which is staffed by parents with children with disabilities, has special expertise in providing services to parents. Under the proposed contract, SFCD would subcontract with the other four hotlines to provide links between the Parent Helpline and the other hotlines serving children and families. Ms. Okubo states that the Parent Helpline would provide information and consultation to parents by telephone and computer. Such information and consultation services would be available in Spanish, Cantonese, Vietnamese, and Russian, as well as English.

2. Ms. Okubo states that the subject reserved funds are one-time only funds, recommended by the Finance and Labor Committee and approved by the full Board of Supervisors in the FY 1999-2000 budget process, to develop a children's mental health initiative. According to Ms. Okubo, the subject funds would be used to provide the proposed services for FY 1999-2000.

Recommendation:

Based on the prior policy decision of the Board of Supervisors to authorize the development of the children's mental health initiative, approve the requested release of reserved funds.

Department of Public Health
Children's Mental Health Initiative
Parent Helpline Program

I. Program Cost

Personnel	Months	FTE's	Annual Rate	Amount	
Licensed Social Worker/Program Coordinator	6	1.00	52,000	26,000	
Psychiatric Social Worker/MFCC	6	1.00	47,840	23,920	
Peer Counselors	6	2.00	35,006	35,006	
Salaries				84,926	
Fringe Benefits		24%		20,382	
Subtotal Personnel				105,309	
On-Call Mental Health Services Provided by Bilingual Staff	Hours		$/Hour		
On-Call Mental Health Services	295		$ 90.00	26,550	
Operating Costs					
Training				3,000	
Office Supplies				1,003	
Materials & Supplies (1)				6,300	
Telephone (2)				6,040	
Equipment ($2,000/computer x 4 computers, $800/printer x 2 printers)				9,600	
Subtotal Operating Costs				25,943	
Subtotal Program Costs				157,802	
Indirect Cost @ 10%				15,780	
Subtotal				173,582	
Additional Hotline Services ($5,000 x 4 agencies)				20,000	
Total Program Costs					193,582

II. Outreach Campaign

Personnel					
Outreach Campaign coordinator	6	1.00	36,480	18,240	
Fringe	24%			4,378	
subtotal:				22,618	
Operating Expenses					
Office Supplies				5,000	
Printing & Reproduction (4000 copies @ $2.50/ copy)				10,000	
Translation (@ $200/100 words x 3900 words)				7,800	
Subtotal Operating Expenses:				22,800	
Total Outreach Campaign Costs					45,418

III. Evaluation

Personnel					
Evaluator	3	2.00	50,000	25,000	
Fringe	24%			$6,000	
Total Evaluation Costs					31,000
Total Cost					$ 270,000

(1) Assumes workstation @ $600, adjustable keyboard arm @ $275, chair @ $400, file cabinet @ $300 for 4 people.
(2) Assumes cost of phone of $700/phone & service charge of $135/mo x 6 months for 4 phones.

Memo to Finance and Labor Committee
December 15, Finance and Labor Committee Meeting

Item 12 – File 99-2193

Department: Airport

Item: Resolution approving the Controller's certification that public parking management services for the San Francisco International Airport can continue to be practically performed by private contractor at a lower cost for the year commencing July 1, 1999 than if work were performed by City and County employees.

Services to be Performed: Public parking management services

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for public parking management services to the Airport for FY 1999-2000 would result in the estimated savings as follows:

City-Operated Service Costs	Low	High
Parking & Taxicab Operations	$12,496,522	$14,615,778
Security Control	2,465,656	2,883,595
Janitorial Services	1,488,170	1,765,210
Total	$16,450,348	$19,264,583
Contractual Services Costs		
Parking & Taxicab Operations	$10,149,236	$10,167,810
Security Control	1,488,347	1,488,347
Janitorial Services	1,414,997	1,414,997
Total	$13,052,580	$13,071,154
Estimated Savings	$3,397,768	$6,193,429

Comments: 1. Public parking management services for the Airport include the management of parking and taxicab

operations, security guard services and janitorial services, according to Mr. Fred Strong of the Airport.

2. Public parking management services have been contracted out since 1971, the first year that these services were provided.

3. The prior one-year contract, which commenced on July 1, 1998 and expired on June 30, 1999, is with AMPCO System Parking Company. Mr. Strong states that AMPCO has provided public parking management services to the Airport for the last eight years. The Airport is exercising the third of four one-year options to renew this contract with AMPCO. This renewed one-year contract with AMPCO began on July 1, 1999. As such, the proposed resolution should be amended for retroactivity.

4. The Contractual Services Costs used for the purpose of this analysis is AMPCO's projected FY 1999-2000 cost for public parking management services.

5. The Controller's supplemental questionnaire with the Department's responses is attached.

Recommendation: Amend the proposed resolution to provide for retroactivity and approve the proposed resolution as amended.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Public Automobile Parking
Contract Period: July 1, 1999 to June 30, 2000

1. Who performed the activity/service prior to contracting out?
   This service has always been contracted out, it has never been operated by City personnel.

2. How many City employees were laid off as a result of contracting out?
   None

3. Explain the disposition of employees if they were not laid off.
   N/A

4. What percentage of City employees' time is spent on services to be contracted out?
   N/A

5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
   Services have been contracted out since October 16, 1971, it is likely to remain contracted out.

6. What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
   It has been certified each year since 1980.
   Yes, it has been certified each year since Fiscal Year 1980/81.

7. How will the services meet the goals of your MBE/WBE Action Plan?
   Although this contract was not awarded to a MBE/WBE firm in 1995, it must adhere to the City's non-discrimination ordinance contained in Chapters 12B & 12C of the City's Administrative Code. This contract contains MBE/WBE goals which include "best effort to meet a 30% goal.

8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
   The contractor provides health insurance for its employees through union agreements.

9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?
   AMPCO and parent ABMI are working on a nation-wide Domestic Partners Program. This contract is unchanged and the requirement was not included in the contract.

Department Representative: _____
Robert Rhoades, Deputy Airport Director - Business

Telephone Number: (650) 794-4050

Item 13 – File 99-2194

Department: Airport

Item: Resolution approving the Controller's certification that employee parking management services for the San Francisco International Airport can continue to be practically performed by private contractor at a lower cost for the year commencing July 1, 1999 than if work were performed by City and County employees.

Services to be Performed: Employee parking management services

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for employee parking management services to the Airport for FY 1999-2000 would result in the estimated savings as follows:

City-Operated Service Costs	Low Salary Step	High Salary Step
Salaries	$2,123,429	$2,509,392
Fringe Benefits	579,629	640,302
Total	$2,703,058	$3,149,694
Contractual Services Costs	2,340,234	2,340,305
Estimated Savings	$362,824	$809,389

Comments: 1. Employee parking management services include the operation and management of employee parking facilities at the Airport, including security guard services and janitorial services, according to Mr. Fred Strong of the Airport.

2. Employee parking management services have been contracted out since 1971, the first year that these services were provided.

3. The prior one-year contract, which commenced on July 1, 1998 and expired on June 30, 1999, is with AMPCO System Parking Company. Mr. Strong states that AMPCO has provided both employee parking management services and public parking management services, under a single contract with the Airport, for the last eight years. However, according to Mr. Strong, in an effort to further the goals of its MBE/WBE Action Plan, the Airport is now proposing to award two (2) separate contracts for the provision of employee parking management services and public parking management services. Specifically, the Airport wishes to exercise the third of four one-year options to renew the existing contract with AMPCO for AMPCO to continue to provide only public parking management services to the Airport (see Item No. 10, File No. 99-2193 of this report to the Finance and Labor Committee). Mr. Strong states that AMPCO would no longer provide employee parking management services to the Airport. Instead, according to Mr. Strong, the Airport initiated an Invitation to Bid and selected ABC Parking, Inc./THOR, a certified MBE/SBE firm, to provide the proposed employee parking management services. ABC Parking, Inc./THOR was the only firm that responded to the Airport's Invitation to Bid, according to Mr. Strong. The amount of ABC Parking, Inc./THOR's bid for the provision of the proposed employee parking management services was $2,510,932 on an annual basis, according to Mr. Strong. Mr. Strong advised that AMPCO continued to provide employee parking management services to the Airport for the two-month period of July 1, 1999 through August 31, 1999, because ABC Parking, Inc./THOR was not immediately able to assume responsibility for the provision of such services. As such, the proposed new one-year contract with ABC Parking, Inc./THOR began on September 1, 1999 and expires on August 31, 2000. The Airport has the option to renew this proposed new contract with ABC Parking, Inc./THOR for four additional one-year periods.

4. As noted in Comment No. 3, AMPCO began providing employee parking management services to the Airport on July 1, 1999 and ABC Parking, Inc./THOR assumed responsibility for the provision of such services two months later on September 1, 1999. As such, the proposed resolution should be amended for retroactivity.

5. The Contractual Services Costs used for the purpose of this analysis is AMPCO's and ABC-THOR's projected FY 1999-2000 costs for employee parking management services.

6. The Controller's supplemental questionnaire with the Department's responses is attached.

Recommendation: Amend the proposed resolution for retroactivity and approve the proposed resolution as amended.

Attachment

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Public Automobile Parking
Contract Period: July 1, 1999 to June 30, 2000

1. Who performed the activity/service prior to contracting out?
   This service has always been contracted out, it has never been operated by City personnel.

2. How many City employees were laid off as a result of contracting out?
   None

3. Explain the disposition of employees if they were not laid off.
   N/A

4. What percentage of City employees' time is spent on services to be contracted out?
   N/A

5. How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?
   Services have been contracted out since October 16, 1971, it is likely to remain contracted out.

6. What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?
   It has been certified each year since 1980.
   Yes, it has been certified each year since Fiscal Year 1980/81.

7. How will the services meet the goals of your MBE/WBE Action Plan?
   ABC-Thor is a certified MBE/SBE Company and employs other MBE Companies at the Airport garages.

8. Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?
   The contractor provides health insurance for its employees through union agreements.

9. Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?
   ABC-Thor has a domestic partners policy which meets the ordinance.

Department Representative: _____
Robert Rhoades, Deputy Airport Director - Business

Telephone Number: (650) 794-4050

Item 14 - File 99-1869

Note: This item was continued by the Finance and Labor Committee at its meeting of November 10, 1999.

Department:	Airport
Item:	Resolution authorizing modifications to Lease No. 99-0035 between the DFS Group L.P. and the City and County of San Francisco, acting by and through its Airport Commission.
Location:	New International Terminal Building (ITB) of the Airport
Lessor:	City and County of San Francisco, acting by and through its Airport Commission
Lessee:	The DFS Group L.P., a Delaware limited partnership ("DFS")
Effective Date of Lease Modifications:	May of 2000
Description:	The Airport and DFS have negotiated Lease No. 99-0035 for "post-security" retail spaces which are located beyond the security checkpoints in the new ITB. The subject ten-year concession lease, which has yet to be signed but which is due to commence at the opening of the new ITB in May of 2000 and to expire in May of 2010, would cover 52,946 square feet at 27 locations in the new ITB[1]. This lease was approved by the Board of Supervisors on April 5, 1999 (Resolution No. 283-99). Under the subject concession lease, DFS would be responsible for both the direct provision of duty free[2] retail stores and the subleasing of non-duty free[3] retail stores. The table included in the Attachment provided by the Airport lists (a) DFS's proposed subtenants, (b) each subtenant's Disadvantaged Business Enterprise (DBE) status, (c) the retail facilities each subtenant would provide, and (d) the square footage of each subleased space. These subtenants would occupy a total of 17,087 square feet, or 30 percent

(a)

[1] Ms. Lorri Vasquez of the Airport states that the reference in Lease No. 99-0035 to a total of 51,914 square feet was based on approximate figures which have since been revised so that the approximate total space covered by the existing lease is actually 52,946 square feet.

[2] "Duty free" merchandise is defined as goods sold without taxation to international travelers for consumption outside of the United States of America.

[3] "Non-duty free" merchandise is defined as goods that are taxed at the point of sale.

of the total 57,353 square feet designated under the DFS concession lease.

The proposed resolution would modify the concession lease between DFS and the Airport as follows:

(1) The addition of 4,407 square feet of "pre-security" retail space, which increases the total amount of space covered by the subject concession lease from 52,946 square feet in 27 locations to 57,353 square feet in 29 locations in the new ITB. The additional 4,407 square feet of space is located before the security checkpoints in the new ITB, for two additional retail locations: (a) an 1,684 square foot Apothecary Store, which would sell various items sold in a standard drugstore, and (b) a 2,723 square foot Unisex Apparel Store, which would sell casual clothing. These two stores would have a five year term from May of 2000 to May of 2005 which the Airport can extend by one additional five year extension term for either or both stores.

(2) Delegation to the Airport, pursuant to Section 1.2 of the concession lease, of the ability to modify the future size and usage of the retail space being leased to DFS without subsequent Board of Supervisors approval.

Comments:

1. The concession lease would require DFS to pay the Airport the greater of the two following amounts in rent: either (a) a minimum annual guarantee of $26,100,000 which can be increased annually according to composite changes in the Consumer Price Index and passenger traffic, as set out in the concession lease, or (b) a percentage of annual gross revenues which is calculated on the following basis:

Annual Gross Revenues	Duty Free	Non-Duty Free
Up to and including $50,000,000	15%	12%
$50,000,000.01 - $100,000,000	20%	14%
Over $100,000,000	25%	16%

By comparison to the above noted minimum annual guarantee of $26,100,000, in FY 1998-99 DFS paid the Airport $20,700,000 in rent, according to Mr. Peter Nardoza of the Airport.

2. Under the proposed modifications to the previously approved DFS concession lease, which would provide 4,407 additional square feet for an Apothecary Store and a Unisex Apparel Store, DFS would not pay an additional minimum annual guarantee to the Airport. DFS would only be required to pay the Airport rent for those stores on the basis of a percentage of annual gross revenues, calculated as follows:

Annual Gross Revenues	Percentage Rent
Up to and including $500,000	12%
$500,001 up to and including $1,000,000	14%
Over $1,000,000	16%

3. DFS would sublease the Apothecary Store retail space to Ms. Donnetta Stafford, a DBE owner who has already entered into two subleases with DFS for a Travel Accessories Store and a Leather Goods Store at the new ITB. Ms. Stafford also subleases retail space from DFS for a "health and herb concept" store in the existing International Terminal which sells some merchandise that is comparable to the merchandise which would be sold through her Apothecary Store in the new ITB.

DFS would operate the Unisex Apparel Store retail space under a licensing agreement with Esprit. According to Ms. Vasquez, the Unisex Apparel Store would be the first single brand unisex apparel store in the Airport.

4. Under the proposed modification to Section 1.2 of the concession lease, the Airport would be authorized to make the following changes to the concession lease, without subsequent approval from the Board of Supervisors:

(a) relocate, expand, and/or contract the Lessee's premises if such relocation, expansion, and/or contraction is in the Airport's best interests;

(b) permit a change in concept for a facility covered by the concession lease if such a concept change is in the Airport's best interests (for example, if the Airport's passenger profile indicated that there was no longer a need for a Unisex Apparel Store, but that there was a need for another category of store or restaurant); and

(c) enter into the modifications to the concession lease which are necessary to implement such relocations, expansions, contractions, and/or changes in concept.

5. The Budget Analyst recommends that the Airport renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store.

In response to the Budget Analyst's recommendation, Ms. Vasquez states that it would be inappropriate for the Airport to re-open negotiations with DFS over the proposed amendments given that this could jeopardize the signing of Lease No. 99-0035 approved by the Board of Supervisors on April 5, 1999. Ms. Vasquez states that the negotiations have had to address not only revenue issues, but also the Airport's desire to provide a range of services to the traveling public while dealing with complex retail industry and property management practices, within the context of a significant drop in sales for the duty free industry over the last two years. Ms. Vasquez states that DFS will be paying the Airport (a) a minimum annual guarantee of at least $261,000,000 over the ten-year term of the concession lease, and (b) additional rent from the proposed Apothecary and Unisex Apparel Stores. Ms. Vasquez states that DFS has agreed to add the 4,407 square feet for Apothecary and Unisex Apparel Stores to its concession lease as a favor to the Airport, given its longstanding business relationship and mutual goal of offering services to the traveling public. According to Ms. Vasquez, DFS's agreement to assume responsibility for the additional space is in spite of two issues: (a) DFS will not gain any revenue from the Apothecary Store because the percentage rent required for this store by the Airport from DFS is exactly the same as the percentage rent required by DFS from the subtenant, therefore rendering

the subtenant's rent payment a direct pass-through to the Airport, and (b) both the Apothecary and Unisex Apparel Stores are unproven retail concepts with unknown revenue potential which the Airport was previously unsuccessful in bidding out.

6. In the professional judgement of the Budget Analyst, all retail space at the Airport is commercially valuable and, therefore, an upward adjustment of the minimum annual guarantee payable by DFS to the Airport for the addition of 4,407 square feet to its concession lease is fully warranted.

7. At its November 10, 1999 meeting, the Finance and Labor Committee continued the subject resolution, requesting the Airport to renegotiate the proposed modifications with DFS in order to provide the Airport with an additional minimum annual guarantee payable by DFS to the Airport for the 4,407 additional square feet to be allocated to DFS to operate an Apothecary Store and a Unisex Apparel Store. Mr. Jon Ballesteros of the Airport states that the Airport discussed with senior DFS managers the implications of reopening formal lease negotiations to include the proposed additional minimum annual guarantee. These discussions took place at a formal meeting during the week of November 8, 1999 and in subsequent telephone discussions. The senior DFS managers objected to the imposition of an additional minimum annual guarantee. Mr. Ballesteros states that the Airport does not want to reopen formal lease negotiations with DFS because the Airport considers the current proposed lease to be very lucrative.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Airport Commission
City and County of San Francisco
Willie L. Brown, Jr.
Mayor
Henry E. Berman
President
Larry Mazzola
Vice President
Michael S. Strunsky
Linda S. Crayton
Caryl Ito
JOHN L. MARTIN
Airport Director

San Francisco International Airport
GATEWAY TO THE PACIFIC

October 27, 1999

Via Fax (415-252-0461)
Mr. Alan Gibson
Budget Analyst
Budget Analyst's Office
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: Post-Security Master Retail/Duty Free Concession Lease ("Lease")

Dear Alan:

Thank you again for your ongoing patience and assistance with this project. Set forth below are the answers to your questions of October 27, 1999.

(a) What is the Airport trying to achieve by providing Apothecary and Unisex Apparel Stores?

By providing an Apothecary Store and Unisex Apparel Store, the Airport is achieving the following goals:

(1) Prevents these stores from being closed when the New International Terminal opens;
(2) Provides a sophisticated variety of retail shopping facilities and avoid "cannibalizing" the other facilities;
(3) Responds to the surveys which show that Airport patrons repeatedly request a facility selling drugstore/apothecary products;
(4) Have in the Airport clothing products representing San Francisco-based manufacturers; and
(5) Achieves DBE goals.

DFS will sublease a portion of the space to Donnetta Stafford, a local DBE, for an apothecary store. An Esprit store will be operated in the remaining space. Esprit is a local San Francisco-based company. Attached is the DBE Subleasing Plan, which achieves the 30% DBE goal.

(b) Why were there no bidders for the proposed Apothecary and Unisex Apparel Stores? What particular elements of the bid requirements were deemed too restrictive by potential bidders for each store?

Set forth below is our understanding of why potential bidders declined to bid on these facilities when originally offered:

(1) It appears that the lease specifications (ie. Minimum Annual Guarantee, percentage rent, improvement costs, etc.) were too high.
(2) Some of the regionally-branded drugstore/apothecary stores stated that the facility was too small compared to the size they are used to.
(3) Prospective bidders advised staff that they did not bid given that the concepts were relatively new to the Airport and no one knew their revenue potential.
(4) The retail market is strong, and the Airport must compete with other locations for strong concessionaires. Many regionally-branded drugstore/apothecary stores stated that this location did not fit within their business plan of building in local neighborhoods.
(5) Finally, many concessionaires who might otherwise have bid for these facilities were already committed to other Airport projects.

(c) Why did the DFS Group agree to take over the two retail spaces given that (a) the sublease revenue from Donnetta Stafford will be a pass-through, and (b) there is no guarantee that they will make a profit from the Unisex Apparel Store.

The Airport staff requested that DFS take these two additional spaces. Although we do not know the reason they were able to accommodate the Airport's request, it may relate to DFS's and the Airport's shared goal of creating a sophisticated and convenient shopping experience for the travelling public.

(d) Why did Donnetta Stafford agree to sublease from DFS Group, if she didn't bid or wasn't previously prepared to enter into a direct concession agreement with the Airport? What has changed in the lease requirements to make the proposition more attractive?

Donnetta Stafford currently has a sublease agreement with DFS, and we understand that she is comfortable working with DFS. DFS provides a lot of tenant support for smaller operators, such as assistance with tenant build-outs and training. Many small operators like the support of a larger operator.

(e) Please explain Esprit's relationship to DFS Group with regard to the licensing agreement for the Unisex Apparel Store – why has Esprit agreed to enter this arrangement when it wasn't previously prepared to bid for/enter into (whichever applies) a direct concession agreement with the Airport?

DFS entered into a licensing agreement with Esprit to sell and display Esprit merchandise. We understand that in December 1998, when the Airport requested bids for the Unisex Apparel Lease, Esprit was undergoing a change of management and was timid about venturing into an airport retail venue with which they had no experience. Also DFS' experience in Airport retail would provide Esprit (and Ms. Stafford) the opportunity to better their retail success.

(f) Reasons for not increasing the Minimum Annual Guarantee to reflect the 8.3 percent increase in revenue-generating retail facility space being leased by the DFS Group.

First, we determined that it does not make sense to apply a Minimum Annual Guarantee to these additional facilities given that these concepts are not proven and the concessionaires are timid. After receiving no bids on the original packages, staff determined that there appears to be a disconnect between Airport desires and retailers' business plans. In this context, the Airport determined that percentage rent would be appropriate. Again, with the addition of these two facilities, rent paid to the Airport *will* increase.

Second, even if the Airport were to apply a MAG to these facilities, it does not make sense to increase the MAG by 8.3% because most of the current MAG is driven by the duty-free facilities, not these types of facilities. Given that the profit margins and revenue generation will vary greatly by concept, a pro rata calculation of MAG will not work. These facilities would not be able to support a MAG that high.

(g) What are the reasons for allowing the Airport to amend the Lease in Certain Respects without prior approval made by the Board of Supervisors?

Due to the length of the term and complexity of the merchandise mix contained within this Lease, the Airport Commission authorized the Airport Director to amend the Lease to expand, contract, and relocate the premises and/or change a concept, provided the same is in best interests of the City. This authorization would minimize the administrative burden on the Airport Commission and the Board of Supervisors for minor amendments. For example, if the watch store turned out to be a lousy concept, the Airport would like the flexibility to replace that facility with a different concept, perhaps one that is more fully-developed in two or three years. Of course, the Airport will still subject any such amendments to the other applicable City requirements.

Finally, please recall that although we believe the Airport market is generally strong, we only had one bidder on this Lease, DFS. Given that the Airport is the gateway to the City, we know you share our goal of creating a positive shopping environment representative of San Francisco. We believe that this amendment will do so.

Per your request, attached is DBE Subleasing Plan. Should you have any additional questions, please call me at (650) 794-4500.

Very truly yours,

Lorri A. Vasquez
Assistant Deputy Airport Director
Concession Development and Management

Cc: Bob Rhoades
Attachment
JT:ep/sm

POST-SECURITY MASTER RETAIL/DUTY FREE CONCESSION LEASE
DBE SUBLEASING PLAN

DBE Subtenant	Ethnicity	Retail Concept	Square Footage
RDG Concessions	African Am.	Sunglasses	500
		Watches	1,856
		Travel Accessories	995
		Subtotal	3,351
CalStar Retail, Inc.	White	California Gourmet	1,464
		Packaged Food and Candy	1,034
		Subtotal	2,498
Tan Enterprises, Inc.	Asian	Tee Shirts	300
		Tee Shirts	354
		Team Sports	1,027
		Subtotal	1,681
Donnetta Stafford	African Am.	Travel Accessories	970
		Leather Goods	2,053
		Apothecary	1,684
		Subtotal	4,707
Pacific Gateway Concessions, LLC	Hispanic	Newsstand	473
		Newsstand	375
		News & Gift	906
		News & Gift	982
		News & Gift	892
		Packaged Food & Candy	1,222
		Subtotal	4,850
		DBE Sublease Total	17,087
		Master Concession Total	57,353
		DBE Total	**30%**

Item 16 - File 99-2236

Item: Ordinance to amend Chapter 37, Section 37.9A of the City's Administrative Code to provide for relocation benefits of $4,500 to low-income, elderly and disabled tenants.

Description: The proposed ordinance would amend the City's Administrative Code to increase the amount of relocation payments that low-income, elderly and disabled tenants are entitled to receive from the property owner when a landlord seeks an eviction based on Section 37.9(a)(13), Ellis Act eviction. Currently, under the City's Administrative Code, tenants who receive an eviction based on the Ellis Act provisions, who are determined to be low-income are entitled to receive relocation benefits of the following amounts: (1) $1,500 if the unit is a studio (one or two rooms), (2) $1,750 if the unit is a one-bedroom (three rooms), and (3) $2,500 if the unit contains two or more separate bedrooms. Currently, the City's Administrative Code also provides for tenants who are determined to be 62 years of age or older or who are disabled to receive $3,000 for relocation benefits, irrespective of the size of their units, from such evictions.

Under the proposed ordinance, all qualifying low-income, elderly and disabled tenants who receive an eviction based on the Ellis Act provisions would be eligible to receive relocation benefits of $4,500 from their landlord, regardless of the size of their housing units.

Comment: In recognition of the fact that all of the relocation payments based on the Ellis Act eviction provisions, are to be paid by the property owner and not the City, Mr. Joe Grubb of the Rent Arbitration and Control Board (Rent Board) reports that the proposed ordinance will have no fiscal impact on either the City generally or on the operations of the Rent Board.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 17 - File 99-2015

1. This hearing is to consider issues faced by San Francisco family childcare providers, including receiving referrals from the San Francisco resource and referral agencies, receiving funds for facilities upgrades, and receiving professional/business development assistance.

2. Three major types of childcare providers operate in the San Francisco.

(a) Childcare centers are facilities licensed by the State that employ teaching and paraprofessional staff to provide childcare.

(b) Family childcare providers are licensed by the State to care for up to eight children, including the children of the care provider under the age of six, in their home. In addition, some family childcare providers are licensed by the State to care for nine to fourteen children, including those of the provider and of any assistants, in the provider's home, with one or more assistants present.

(c) Exempt providers are exempted from State licensing if they care for no more than one family's children in addition to their own.

3. According to Ms. Teresa Joseph of the Department of Human Services (DHS), currently there are 19,701 State-licensed childcare slots in San Francisco. Of the 19,701 State-licensed childcare slots, 16,131, or 82 percent, are childcare center slots, and 3,570, or 18 percent, are family childcare provider slots.

4. There are four main types of funding for childcare services in San Francisco.

(a) Childcare center spaces are subsidized by the California Department of Education (CDE), which contracts directly with San Francisco childcare centers, primarily through the San Francisco Unified School District.

(b) Vouchers are funded primarily by combined State and Federal funds, especially Temporary Aid to Needy Families (TANF)[1] funds. In addition, the Children's Fund provides monies for vouchers for families not eligible for CalWORKS, the California TANF program.

[1] TANF is the Federal cash aid program for families with income below the Federal poverty level. In California, TANF is implemented as CalWORKS.

(c) The Child Care Facilities Fund (CCFF), which is funded by City and Federal funds, provides grants to family childcare providers for one-time capital expenses and to childcare centers for predevelopment grants and financing for facilities improvement and expansion.

(d) San Francisco's High Quality Child Care Initiative, which is funded by City funds, provides funding for various projects, including mental health consultation.

Attachment I, provided by DHS and the Department of Family, Youth, and Their Children (DCYF), contains a list of the funding sources for childcare and the allocation of funds by provider type for FY 1998-99.

5. Except for the CDE subsidies, which are controlled by the State, vouchers provide the largest amount of subsidies for childcare. Ms. Joseph states that, currently, approximately 3,586 children receive childcare vouchers each month. Of the 3,586 monthly vouchers, 2,088 or 58 percent are allocated to exempt childcare providers, 839 or 23 percent are allocated to licensed family childcare providers, and 607 or 17 percent are allocated to licensed childcare centers. The remaining 2 percent are allocated to exempt childcare centers.[2]

6. Vouchers are funded by a combination of State, Federal, and City funding.

(a) Combined State and Federal TANF funds are used to provide childcare vouchers for families participating in CalWORKS welfare-to-work program or who have transitioned from the CalWORKS cash aid program within the previous 24 months.

(b) City Children's Fund monies are used to provide childcare vouchers for low-income working families not eligible for CalWORKS assistance.

(c) Combined State and Federal funds are used to provide childcare vouchers for families identified by Family and Children's Services (FCS) and who are currently involved in protective services or who are referred by FCS to prevent the opening of protective services cases.

Families receiving childcare vouchers may choose the type of childcare provider. However, families receiving vouchers from Children's Fund monies are not eligible to use such vouchers for exempt childcare providers.

[2] Exempt centers are centers that provide childcare for a limited number of hours, such as before school and after school care.

7. The Department of Human Services (DHS) contracts with the Children's Council of San Francisco to manage and administer the childcare voucher subsidies. As shown in Attachment II, in FY 1999-2000 the Children's Council contract is $29,420,779, of which $2,000,000 or 7 percent comes from the Children's Fund, and $27,420,779, or 93 percent, comes from combined State and Federal funds.

8. The Children's Council subcontracts with Wu Yee Children's Services, a nonprofit agency, to provide childcare case management and childcare payments for clients. The Children's Council serves approximately 80 percent of the clients and Wu Yee serves approximately 20 percent, including all of the Asian-language speaking clients. The two nonprofit agencies have full financial responsibility for payments to licensed and exempt childcare providers caring for children of clients. They determine and collect parent fees, according to State requirements, and combined with the vouchers, provide full payment to the childcare providers.

9. DHS has three other contracts, funded with combined State and Federal funding in FY 1999-2000, to provide childcare services. Attachment III, provided by DHS, contains a summary of the DHS childcare services contracts.

10. In summary, as shown in Attachment I, expenditures for childcare centers and family childcare providers in FY 1998-99 were as follows:

(a) The California Department of Education contracted directly with childcare providers in San Francisco for a total of $45,532,858, of which $45,000,000 was expended on childcare centers and $532,858 was expended on family childcare providers.

(b) The Child Care Facilities Fund provided $482,000 in grants, of which $82,000 or 17 percent was for childcare centers and $400,000 or 83 percent was for licensed family childcare providers. In addition, the Child Care Facilities Fund provided $2,581,000 to childcare centers as part of the Federally-funded Section 108 Child Care Center Loan Guarantee Program.

(c) The High Quality Child Care Initiative provided $2,966,500 in funds, of which $1,875,000 or 73 percent was for childcare centers and $686,500 or 27 percent was for licensed childcare providers.

(d) The City provided $17,594,715 in childcare vouchers, of which $3,161,122 or 18 percent was for childcare centers, $6,604,864 or 38 percent was for licensed family childcare providers, and $7,828,729 or 44 percent was for exempt family childcare providers.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey

Prepared by the Department of Children, Youth and Their Families, and by the Department of Human Services

Federal, State, and Local
Childcare Payments in San Francisco (FY 1998-99)
Distribution by Type of Care

	Childcare Centers		Licensed Family Childcare Providers		Exempt Family Childcare Providers		Total		Total Program
	Amount	Percent	Amount	Percent	Amount	Percent	State/Federal	County	Funds
California Department of Education (1)									
CDE Family Childcare Grants			$ 532,858				$ 532,858		$ 532,858
CDE Center Contracts	$45,000,000						$ 45,000,000		$ 45,000,000
Total	$45,000,000		$ 532,858				$ 45,532,858		$ 45,532,858
Childcare Facilities Fund (2)									
Grants to Centers & Family Providers	$ 82,000	17%	$ 400,000	83%				$ 482,000	$ 482,000
Center Loan Progam	$ 2,581,000						$ 2,581,000		$ 2,581,000
Total	$ 2,663,000		$ 400,000				$ 2,581,000	$ 482,000	$ 3,063,000
High Quality Child Care Initiative (3)									
Mental Health Consultation	$ 1,600,000	80%	$ 400,000	20%				$2,000,000	$ 2,000,000
Quality Enhancements for Providers	$ 200,000	49%	$ 211,500	51%				$ 411,500	$ 411,500
Provider Purchasing Pool	$ 75,000	50%	$ 75,000	50%				$ 150,000	$ 150,000
Other								$ 405,000	$ 405,000
Total	$ 1,875,000	73%	$ 686,500	27%				$2,966,500	$ 2,966,500
Childcare Vouchers (4)									
City Voucher Program									
Children's Fund (DHS Contract) (5)	$ 401,025	19%	$ 1,709,634	81%				$2,110,659	$ 2,110,659
Affordable Childcare Fund	$ 37,421	57%	$ 27,766	43%				$ 65,187	$ 65,187
DCYF Vendor Voucher (Prop J)	$ 122,875	49%	$ 128,704	51%				$ 251,579	$ 251,579
State/Federal Vouchers									
CDE	$ 250,852	36%	$ 236,313	34%	$ 211,553	30%	$ 698,718		$ 698,718
CalWORKS (5)	$ 2,268,217	16%	$ 4,394,671	31%	$ 7,513,470	53%	$ 14,176,358		$ 14,176,358
Miscellaneous									
Private Industry Council	$ 42,356	21%	$ 57,736	29%	$ 98,099	49%			$ 198,191
Catholic Charities	$ 38,376	41%	$ 50,040	53%	$ 5,607	6%			$ 94,023
Total	$ 3,161,122	18%	$ 6,604,864	38%	$ 7,828,729	44%	$ 14,875,076	$2,427,425	$ 17,594,715

(1) Source: CDE and Children's Council
(2) Money committed through 6/23/99
(3) 12-month FY 1998-99 and FY 1999-00 contracts.
(4) For all categories except CalWORKS and Children's Fund, the information provided represents payments to provider in FY 1998-99 through May of 1999
Source: CDE and CCSF
(5) Based on full-year data for FY 1998-99 provided by DHS. Allocations are estimates based on percent allocations through May of 1999.

Attachment I

Contract Summary:

Contractor: Children's Council of San Francisco (See Appendix A for detail)

Description: The contract provides for the following childcare programs: CalWORKs-Stage I, CalWORKs-Stage II, Family Preservation (Maintenance of Effort), and City Childcare subsidies. Funds for the development of neighborhood-based provider networks are also included. The purpose of the contract is to increase the service level of CalWORKs Stages I and II and to contract for the increasing enrollment and costs in both of these programs. The contract also includes an increase for city subsidies, as approved by the Board of Supervisors, as well as a number of capacity building initiatives funded by CDSS and state CalWORKs funds.

Purpose:	(1) Management and administration of CalWORKs child care programs to increase the success of families participating in the CalWORKs program by assisting them with their child care arrangements.
	(2) Manage and administer City funds to assist non-CalWORKs families by assisting them with their child care arrangements.
	(3) Manage and administer Family & Children's Services child care for Family Preservation-type cases.
	(4) Provide "Trustline" service to facilitate background investigations of child care providers.
	(5) To ensure no reduction of services to previously eligible groups, and coordinate eligibility between various subsidy programs;
Program Design:	(1) Inform participants about the availability and types of child care. Assist participants to locate or arrange for child care, and case manage eligible families regarding child care need and monitor and directly pay providers;
	(2) Expedite background investigations of child care providers (Trustline services);
	(3) Families with children at risk of abuse or neglect, for whom child care has been determined as an appropriate resource by a child welfare worker.

Contract Amount: FY 99/00 = $29,420,779
Source of Funds: approx. 7% County, 93% State/Federal

Contractor: Children's Council of San Francisco
Description: Development of a pilot program for special needs childcare supportive services for children (ages 0-12) of families eligible for CalWORKs childcare. The Children's Council will recruit, train, and support licensed childcare providers in both center and family childcare home-based settings in order to assist them with the placement of CalWORKs special needs children and to improve the quality of special needs childcare system-wide. It is estimated that 10% of children from CalWORKs families have special needs, as defined by the Americans with Disabilities Act (ADA). Although ADA mandates that all childcare facilities be accessible to special needs children, many providers have difficulty accepting and adequately responding to these children's special needs. Families enrolled in approved CalWORKs welfare-to-work activities are eligible for childcare services for their children. Many TANF families with special needs children qualify for an exemption from welfare-to-work activities, but a large percentage choose to participate in work, training, or other approved activities. The availability of adequate childcare is crucial in enabling families to make the transition from welfare to work, particularly for families with special needs children. The Contractor will provide training and technical assistance to Children's Council and Wu Yee staff, DHS Employment Specialists, and the childcare provider community to familiarize them with issues of CalWORKs families with special needs children. The goals of the pilot program will be to implement innovative, practical solutions to the problems childcare providers experience that deter them from serving special needs children, to inform and assist parents with locating and placing their special needs children in settings that meet their needs, and to track families for whom no special needs care was available in order to inform planning and advocacy for systems changes. As a capacity-building initiative, it is anticipated that the number of special needs children successfully placed in childcare will increase through the Contractor's coordination of services.
Contract Amount: FY 99/00 = $342,000
Source of Funds: 80% State, 20% Federal, 0% County

Contractor: California Association of Health, Education, Employment, and Dignity, Inc.
Description: Development of a licensed 24-hour emergency back-up childcare pilot program to reduce disruptions of work or job training for families receiving CalWORKs childcare subsidies. Currently, there is only one licensed emergency back-up childcare program in San Francisco, this program is inaccessible for most CalWORKs families. The "KIDCARE: Access to Emergency Back-up Childcare" collaborative, led by CAHEED, will provide emergency back-up childcare to CalWORKs eligible Stages I & II families whose childcare is temporarily interrupted because of an existing childcare provider's illness, vacation, holiday or other unavailability to provide childcare. This will be done by offering a selection of available childcare slots in each of the targeted neighborhoods initially consisting of Bayview Hunter's Point, Visitacion Valley, Mission and OMI neighborhoods, to families needing childcare on a temporary basis. Eventually, if the KIDCARE pilot is successful, the goal is to expand services to include neighborhoods such as Western Addition, South of Market, Tenderloin and other low-income neighborhoods. CAHEED will purchase/reserve a number of slots and will use slots that become available through daily vacancies at participating licensed center and licensed family childcare providers.
Contract Amount: FY 99/00 = $445,389
Source of Funds: 80% State, 20% Federal, 0%County

Contractor: Whitney Young Child Development Center
Description: Development of a licensed 24-hour mildly ill childcare pilot program to reduce disruptions of work or job training for families receiving CalWORKs childcare subsidies. Currently, there are no licensed mildly ill childcare programs in San Francisco. This resource limitation has important implications for the ability of parents to fulfill the work requirements accompanying welfare reform. The "WE CARE Mildly Ill Childcare Enterprise" collaborative project, led by Whitney Young, will provide access to mildly ill childcare for CalWORKs Stages I & II and TANF families in the City's southeast sector, which has a high incidence of health risks. This mildly ill childcare pilot program will provide families with options for continuous childcare resources, in the event of mild illnesses of their children, in order to reduce the possibility of work or training disruptions for parents. It will also be designed to reduce the likelihood that young children will be left home unattended when they are too ill to attend school or other licensed childcare, to link children and their families to health services, and to educate parents and caretakers regarding children's health needs.
In its start-up year, the mildly ill childcare program will serve a minimum of 500 children. Once the program has been established, service levels are anticipated to increase. The level of service provision will be assessed prior to requesting renewal of the contract. The Whitney Young Child Development Center, who is providing space in its existing site on an in-kind basis, will develop a coordinated Level I and Level II state licensed mildly ill childcare center. The center will provide 12 mildly ill child care slots for children aged 2-12. Eight additional slots for mildly ill infants and toddlers will be made available through licensed family home settings. As with any childcare center, the program design supports the provision of care to non-CalWORKs families. This will ensure program viability and decrease the incidence of work disruptions for working poor families.
Contract Amount: FY 99/00 = $720,165
Source of Funds: 80% State, 20% Federal, 0% County

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City and County of San Francisco
Meeting Minutes
Finance and Labor Committee

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Monday, December 20, 1999 | **9:30 AM** | **City Hall, Room 263**

Special Meeting

Members Present: Sue Bierman, Tom Ammiano.

Members Absent: Leland Y. Yee.

Meeting Convened

The meeting convened at 9:36 A.M.

992236 **[Increasing Tenant Relocation Benefits]**

Supervisor Ammiano

Draft ordinance (amends Administrative Code Section 37.9A) concerning tenant rights in certain displacement, providing for relocation benefits of $4,500 to low-income, elderly and disabled tenants.

(Amends Section 37.9A.)

12/6/99, RECEIVED AND ASSIGNED to Finance and Labor Committee. Sponsor requests this matter be scheduled at the December 15, 1999 meeting.

12/15/99, CONTINUED. Continued to Special meeting of December 20, 1999.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Joe Grubb, Executive Director,Rent Board; Ted Lakey, Deputy City Attorney; Janet Amille; Andrew Long; Ted Gullieson, SF Tenants Union; Ricardo B. Leons, Senior Action Housing Network; Peter Chin; Bill Quan; Marilyn Cosentino; David Crommie; Anastasia Yovanopoulos, Noe Valley Tenants Association; Jose Morales; Sara Short; Rebecca Logue-Bovee, Housing Rights Committee; David Brone; Nancy Tucker, Small Property Owners of San Francisco.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE by the following vote:

Ayes: 2 - Bierman, Ammiano
Absent: 1 - Yee

Ordinance amending Chapter 37 of the San Francisco Administrative Code ("Residential Rent Stabilization and Arbitration Ordinance") by amending Section §37.9A to increase the amount of relocation payments made by landlords to low-income tenants evicted pursuant to the Ellis Act (California Government Code §§7060 et seq., which provides owners rights to withdraw units from residential rental): relocation payments for low-income tenants are increased from the current range of $1,500 - $2,500 (depending upon the size of the unit) to a standard $4,500.

(Amends Section 37.9A.)

RECOMMENDED AS COMMITTEE REPORT by the following vote:

Ayes: 2 - Bierman, Ammiano
Absent: 1 - Yee

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ADJOURNMENT

The meeting adjourned at 10:17 A.M.

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Attn: Susan Hom, Dept. 41

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CITY AND COUNTY OF SAN FRANCISCO

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BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

December 16, 1999

TO: Finance and Labor Committee

FROM: Budget Analyst

SUBJECT: December 20, 1999 Special Finance and Labor Committee Meeting

Item 1 - File 99-2236

Note: This item was continued by the Finance and Labor Committee at its meeting of December 15, 1999.

Item: Ordinance to amend Chapter 37, Section 37.9A of the City's Administrative Code to provide for relocation benefits of $4,500 to low-income, elderly and disabled tenants.

Description: The proposed ordinance would amend the City's Administrative Code to increase the amount of relocation payments that low-income, elderly and disabled tenants are entitled to receive from the property owner when a landlord seeks an eviction based on Section 37.9(a)(13), Ellis Act eviction. Currently, under the City's Administrative Code, tenants who receive an eviction based on the Ellis Act provisions, who are determined to be low-income are entitled to receive relocation benefits of the following amounts: (1) $1,500 if the unit is a studio (one or two rooms), (2) $1,750 if the unit is a one-bedroom (three rooms), and (3) $2,500 if the unit contains two or more separate bedrooms. Currently, the City's Administrative Code also provides for tenants who

are determined to be 62 years of age or older or who are disabled to receive $3,000 for relocation benefits, irrespective of the size of their units, from such evictions.

Under the proposed ordinance, all qualifying low-income, elderly and disabled tenants who receive an eviction based on the Ellis Act provisions would be eligible to receive relocation benefits of $4,500 from their landlord, regardless of the size of their housing units.

Comment: In recognition of the fact that all of the relocation payments based on the Ellis Act eviction provisions, are to be paid by the property owner and not the City, Mr. Joe Grubb of the Rent Arbitration and Control Board (Rent Board) reports that the proposed ordinance will have no fiscal impact on either the City generally or on the operations of the Rent Board.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Yee
Supervisor Bierman
President Ammiano
Supervisor Becerril
Supervisor Brown
Supervisor Katz
Supervisor Kaufman
Supervisor Leno
Supervisor Newsom
Supervisor Teng
Supervisor Yaki
Clerk of the Board
Controller
Legislative Analyst
Matthew Hymel
Stephen Kawa
Ted Lakey